



The Relationship Between a Firm's Core Business and CSR: A study of the Baltic Sea
Commitments

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Abstract

Objectives of the Thesis

The singular objective of this thesis has been to explore the nature of relationship between a firm's core business and corporate social responsibility (CSR). Commonly under the concept of CSR one subsumes a firm's sense of responsibility towards the community and environment. The interplay between a firm's core business and corporate social responsibility has been observed in the context of the Baltic Sea commitments, chief focus of which, to a large extent, has been fixated upon the most singular environmental initiative – amelioration of the state of the Baltic Sea. The societal and business outcomes as well as other associated idiosyncrasies of the interplay have also been discussed in the paper, although with varying degree of scrupulousness.

Methodology

The interest in the subject matter was born as a result of participation in the research project implemented at the Aalto University School of Business. The nature of the study is largely exploratory and qualitative. The applied research method is a multiple case study, whereby nine different firms, seven of which are Finnish, one Estonian, and one Lithuanian respectively, were interviewed to garner insights as to their participation in the BSAG initiatives. Information gathered by means of semi-structured interviews has been greatly enriched and expanded by utilization of a litany of secondary sources of information.

Main Findings

The results of this study further corroborate the fact that CSR is no longer a domain occupied solely by large-sized firms. Smaller firms, who were traditionally thought to be less reliant on or cognizant of benefits proffered by CSR, are increasingly realizing its

untapped potential. Moreover, the tripartite typology comprising Philanthropy, CR innovation, and CR integration has been found effective in both canvassing a wide variety of organizational behaviours that were demonstrated in the course of the Baltic Sea initiatives and better understanding the impact exerted by the integration of CSR into a firm's core business. Furthermore, the trend of tides moving away from traditional philanthropy-dominated conception of CSR world has been observed, particularly in favour of more novel forms of CSR. And more importantly, the benefits and outcomes of this occurring shift have been conceived of being both conspicuous and substantial.

Keywords: CSR, Environmental Responsibility, Core Business, Baltic Sea

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1. Introduction

In this thesis efforts are made to explore the nexus between a firm's core business and corporate social responsibility . First part of the introductory chapter is accorded to highlighting the importance of the topic. Thereon, the research gap, problem and objectives are delineated. From there, the chapter moves on to bringing forth the research question and hence lays the ground for the ensuing discussions. The chapter is concluded by shedding light on some of the key definitions that appear regularly in the text.

1.1 Background

The Baltic Sea has been regarded among the most polluted and vulnerable seas in the world. The most critical causes of the frail and alarming state of the Baltic Sea can be traced to the three following major phenomena: i) Eutrophication, ii) exposure to hazardous substances, and iii) the impact of maritime activities and emissions. "Eutrophication is the process of nutrient enrichment of waters which results in the stimulation of an array of symptomatic changes" (quoted in Connell and Miller, 1984; 131). The effects of eutrophication have been strongly felt in the Baltic Sea. On the whole, the natural balance of the Baltic Sea has been malevolently affected by superfluous nutrient inputs, whose origin can be traced to over-fertilized farmland, polluted air, and other sources such as wastewater treatment plants and industrial wastewater outlets. The eutrophication process in the Baltic Sea has led to abnormal algal growth, lifeless areas on the seabed, oxygen depletion, water turbidity, and the diversity of the resident species (HELCOM, 2007). The marine life has been further disrupted by the burgeoning inputs of hazardous substances. The growing interconnectedness and trade among the Baltic Sea states only lead to more frequent and busier traffic, hence exerting additional pressure on the marine ecosystem.

In April 2004, upon the formal request of 8 Baltic Sea states*¹, the Marine Environment Protection Committee of IMO recognized the Baltic Sea as a particularly sensitive sea area (World Maritime University, 2005). The susceptibility of the Baltic Sea is only accentuated by such factors as water shallowness, the large catchment area, and residence times of up to 30 years (Helsinki Commission, 2010). Taking into account the mere fact that nine European countries share the Baltic Sea coastline, where roughly 16 million people live on the coastline and more than 80 million people reside within the confines of the entire catchment area, the gravity and seriousness of the problem become more evident.

It may sound paradoxical but the Baltic Sea is not only one of the most polluted but also one of the most well-researched seas (BSAG, 2014). A host of actions has been undertaken by individual states to tackle the inherent problems of the sea. However, due to the scale and complexity of the issue, the efforts of individual states alone would scarcely be sufficient. Only by pooling the resources of all the Baltic Sea states as well as of all sectors of society, can the dire state of the Baltic Sea be mitigated. Creating a resilient network of cross-sector collaborations and making concerted efforts to solve the problem will play a pivotal role in safeguarding the future of the Baltic Sea. The Baltic Sea Action Group (BSAG)- an independent foundation committed to the betterment of the Baltic Sea - guided by this very belief, has launched one such initiative to bring a multitude of stakeholders together with the aim of ameliorating the state of the Baltic Sea.

Spearheaded by the Baltic Sea Action Group, a litany of actions has been undertaken to tackle some of the critical problems related to the Baltic Sea. The BSAG initiative has involved over 250 commitments to action by governments, large corporations, small and medium-sized enterprises (SMEs), non-governmental organizations (NGOs), research institutions and other organizations, as well as individuals. The commitments which are updated and growing in number continuously are available to public and their implementation is closely monitored by the BSAG through the Commitment Bank. Most of the commitment makers are from Finland, however there are a few representatives from other states as well.

This study examines the nexus between the firms' environmental commitments and core business. In view of this, the main emphasis will be laid on the relationship between

¹ Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Germany, and Denmark

the environmental initiatives of private firms and their core business. Apart from examining the relationship between the two phenomena, some efforts will be made to explore the outcomes of such relationships. In the course of this examination, large-size corporations as well as small and medium-sized enterprises (SMEs) will be studied. This will provide a unique opportunity to have a comparative framework where variations, differences or similarities across a wide spectrum of private firms can be accounted for by careful consideration of industry, company size, and/or other factors.

1.2 Research gap

The research gap exists with respect to the nexus between a firm's CSR and its core business. The research gap is most manifest in the following ways. First, the existing literature is completely dominated by the research on large multinational corporations (MNCs). It is almost with striking rarity that the small and medium sized enterprises form the nucleus of CSR studies (Jenkins, 2006). There have been in recent times a few attempts made to study the fit between CSR and core business of SMEs (Mendibil et al., 2007; MacGregor and Fontrodona, 2008; Jamali et al., 2008; Tantalo et al., 2012), however they have had an insignificant impact on shifting the spotlight away from the MNCs. Second, the previous studies lack the ability to sufficiently account for three of the following facets of corporate activity: the nexus between a firm's Corporate Responsibility and its core business activities, the outcome and target of a firm's commitments to actions and practices, and the expected benefits of implemented CR activities. This study, although its chief interests pertain to the exploration of the links between CSR and core business, accords attention to the outcomes and benefits of these linkages as well. Third, in stark contrast to the previous research, the study employs an action-oriented CSR typology, formulated by Halme (2007) and Laurila and Halme (2008) to search into the motives, outcomes, and other facets of CSR. The action-oriented typology focuses on concrete actions that firms take to bring about the rapprochement between the CSR and core business. This study will encompass an array of companies from a unique transnational framework, which represent a broad spectrum of industries and sizes. I hope this will make the case studies more interesting and insightful.

1.3 Research problem, objective and output

The *research problem* can be best described with reference to the absence of an action-oriented CSR framework that would shed sufficient light on the nexus between a firm's core business and CSR, with a concomitant ability to account for differences in size, industry, and/or strategy of the given firms. In view of this, the *objective* of this study is to examine the links between a firm's core business and CSR (environmental commitments) and provide insights on the impact of this relationship on the companies' ability to innovate. An action-oriented CSR typology will be employed to facilitate accomplishment of this *objective*. The *output* of this study will be to generate new insights on the multifarious nature of the relationship between an organization's core business and CSR.

1.4 Research questions

The main objective of this study is to look at how individual environmental commitments made by organizations are incorporated into the firms' core business. Therefore, on the whole, the main emphasis is placed upon studying the relationship between a firm's CSR and core business.

Thus, the main research question could be formulated as follows:

1. How are companies' sustainable business initiatives embedded into their core business?

Sub- questions

1. What are the types of relationships that exist between the firms' sustainable initiatives and their core business?
2. What might be the business and societal outcomes of these relationships?

1.5 Definitions

Corporate Social Responsibility has been “defined as a business system that enables the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices” (Smith 2011; 10). *Corporate Environmental Responsibility*, on the other hand, describes an organization’s concern for environmental implications of the company’s business operations.

Core business is a popular business concept which denotes a primary business area or activity that a company focuses on. The concept of *core business* is often times somewhat erroneously regarded fully synonymous with that of *core competences*. However, whereas the former merely denotes a firm’s primary business activities, the latter lays stress primarily on the main strengths and strategic advantages of a firm.

Baltic Sea Action Group is an independent organization based in Finland whose primary objective lies in the restoration of the state of the Baltic Sea. By bringing numerous private and state actors together the BSAG has created a vast collaboration network for bettering the conditions of the Baltic Sea marine environment.

Strategic CSR has been defined by Kellie McElhaney as “a business strategy that is integrated with core business objectives and core competencies to create business value and positive social/environmental value, and is embedded in day-to-day business culture and operations” (Kellie McElhaney, 2009; 1).

2 Literature Review

This particular part of the thesis will be confined to analyzing the existing academic research that has direct relevance to this study. The review will be broken down in three parts. As Corporate Social Responsibility forms the nucleus of this study, first part of the review will be afforded to shedding light on some of its most relevant and pivotal aspects. Thereon, different types of CSR will be analyzed. Subsequently, the theoretical corpus exploring the links between a firm’s core business and CSR activities will be dealt with.

2.1 Defining CSR

A common and hard-to dismiss observation would be to state that “Corporate social responsibility is an ill- and incompletely defined concept” (Baron, 2001: 9). The observation made by Baron has been well corroborated by the comment made by Derwall et al., (2010)-“CSR is a multidimensional and partially subjective concept” (8). In summation, it has been widely agreed on that CSR is an "essentially contested concept," "internally complex", and elusive in application (Moon et al., 2005). And it is not altogether easy to escape either its multidimensionality, subjectivity, or internal complexity. However, bearing this fact in mind may help address this issue with more caution and consideration. It has to be also said in passing that CSR literature has largely confined itself to the corporate sector, whereas SMEs (small and medium sized enterprises) have received very little attention (Jenkins, 2006).

McWilliams and Siegel (2001) gave a standard definition of CSR as that of ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’ (117). Although, one may rightly observe that this definition is too narrow in scope to account for a multitude of facets that constitute CSR, it makes a good attempt of bringing three important elements discussed in CSR literature - law, interests of the firm and social good - together under one umbrella. Richard Holme and Phil Watts (2000) gave a very sound and extended definition of CSR:

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Corporate social responsibility: Making good business sense: 3).

The main merit of this definition is its ability to combine various stakeholders and societal factors into one unified entity. It is not “centrifugal” in a sense that it does not merely look out beyond the common interests of the firm, but is instead endowed with a capacity to cater to the stakeholders within a firm as well. Accountability for firm’s relationships with various stakeholders was well incorporated into the definition put forward by Khoury et al., (1999, p. 327):

“Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.”

Having made a comprehensive analysis of the literature on CSR definitions, Alexander Dahlsrud (2008) identified five different themes that feature in the definitions: the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntariness dimension. Appendix 1 shows some of the definitions that have emerged in the literature surrounding the CSR. Expanding on the model employed by Alexander Dahlsrud, it purports to demonstrate five-dimensional structure of conceptualizing CSR. It is almost inconceivable to come across any definition of CSR concept that would not include one of the five dimensions. Appendix 1 should not be thought of, at any rate, as a comprehensive analysis of the literature surrounding the definition of CSR, but rather as an attempt to identify the five most widespread dimensions in the surveyed and analyzed literature. As the environmental dimension of CSR is most relevant to my study, I will discuss its role and significance in the management literature in the chapter entitled “Environmental Dimension of CSR”. However, before I turn to environmental dimension of CSR, I find it important to briefly survey the development of CSR from its rudimentary stage to the stage whereupon it began paying more and more attention to environmental aspects.

2.2 Development of Corporate Social Responsibility

Studies on Corporate Social Responsibility have been steadily expanding over the years and have been molded into one of the most researched academic fields. It would possibly be well advised to mention in passing the arduous and protracted path through which CSR has made a great leap from ignominious and negligible a position into that of great societal and business importance.

If in the 1970s, foremost economist Milton Friedman had the gall of brushing off CSR as trivial and peripheral, nowadays, Corporate Social Responsibility is widely

considered as pivotal to long-term sustainable development and success of business enterprises (D'Amato et al., 2009) and any attempt to explain it away will not be met with the same degree of acquiescence and approval as was the attempt of, say, Milton Friedman. It would be nonetheless wrong to suggest at any rate that there is unanimity on the subject of either CSR's importance or its impact. "The fundamental flaw with corporate social responsibility, maintained Janet Albrechtsen (2006²), "and why it is a backward step, is the underlying premise that capitalism and companies have something to be embarrassed about, that they must justify their existence by going in search of some higher moral purpose". It is perhaps a fair assessment to say that such views are becoming less and less prevalent with the passage of time. As a growing number of researchers agree on potential power and use of CSR, the heat of discussion is shifting towards various practices of CSR. Porter and Kramer (2006), for instance, argued that billions of dollars that are annually spent on Corporate Philanthropy could yield greater results for both society and business if they were put to a better use. The debate surrounding Corporate Social Responsibility has been very lively, heated and multi-textured. Although CSR is a difficult concept to be defined (Moon, 2005), its importance can hardly be negated.

It has been maintained that, "a rapidly increasing number of companies across the globe are committed to CSR practice, and many more are increasingly entering the fray" (Rangan et al., 2012: 2). According to the survey published in 2005 by the Economist Intelligence Unit, "Corporate Responsibility (CR) has emerged as a significant theme in the global business community and is gradually becoming a mainstream activity" (Economist Intelligence Unit, 2005: 2). CSR represents a cornerstone of management insofar as it is of great import to almost every aspect of business, and it is reflected in an organization's operations through values, culture, decision-making processes, strategy formation procedures, and reporting mechanisms (Sexty, 2011). A great many of Fortune Global 250 firms, according to Markus Kitzmueller and Jay Shimshack (2012), regularly provide statements describing at great length their CSR activities. Moreover, an increasing number of multinational corporations publish detailed statements concerning their CSR strategy (Baskin and Gordon, 2005). It has been estimated that U.S. and European companies invest over 2 trillion USD and 300 billion EURO respectively in certified socially responsible assets (Social Investment Forum, 2007). The report published by McKinsey in 2010 shows that seventy six (76) percent of executives think CSR

² As cited in Ray Broomhill's "CORPORATE SOCIAL RESPONSIBILITY: KEY ISSUES AND DEBATES" (2007; p.7)

contribution to long-term shareholder value to be positive (Carlos J. Torelli et al., 2012). This bears further witness to the fact that the importance of CSR can hardly be underestimated.

A great deal of research on Corporate Social Responsibility has pursued the common line of inquiring into the impact of Corporate Social Responsibility (CSR) on financial performance. Both short and long-term impact of CSR on financial performance have been thoroughly examined by researchers. The results of these studies have been mixed (McGuire et al., 1988; Wright and Ferris, 1997; Waddock and Graves, 1997; Posnikoff, 1997; Margolis and Walsh, 2001; McWilliams and Siegel, 2000; Barnett and Salomon, 2006; Orlitzky et al., 2003; Barnett, 2007; Salzmman et al., 2005; Schaltegger and Figge, 2000; Simpson and Kohers, 2002; Godfrey et al., 2009). For example, McGuire, Wright and Ferris saw no evidence of correlation between CSR and financial performance. Barnett remained highly skeptical of methodological demonstrability of the positive relationship. Becchetti et al. 2008 claimed that the relationship was largely neutral or marginally positive. Posnikoff, Orlitzky and Waddock, on the other hand, reported a positive relationship. It has been rightly suggested by Halme and Laurila (2008), “the amount of attention dedicated to the financial outcomes of corporate responsibility is disproportional compared to societal outcomes” (Halme and Laurila, 2008 : 326). There is undoubtedly a dire need to rectify this disproportionality. It would be very interesting if future research could be narrowed down to the study of the relationship between each distinctive type of CSR and financial performance. It may be that types of CR that display higher degree of interconnectedness between core business and responsibility elements, could provide better opportunities for measuring the impact of a firm’s CSR activities on financial and societal performance.

One of the earliest definitions of Corporate Social Performance (CSP) was provided by Ullmann (1985). Prior to Ullmann, however, the definition of CSP was either inconclusive (Preston, 1982) or altogether eschewed (Carroll, 1979). Ullmann defined CSP as "the underlying interaction among the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues" (1985:758). Wood’s (1991) definition of CSP focused on a) principles of social responsibility, b) processes of social responsiveness, and c) policies, programmes, and observable outcomes related to firm's societal relationships. The latent underlying assumption of CSP conceptualizations is that business entities should strive to minimize or remove harms

inflicted upon society, as the failure to do so would hamper their ability to adapt to environments and withstand societal pressures. Wartick and Cochran (1985) maintained that organizations must perform regular checks on changing societal expectations and must, in turn, respond with a strategy that would be most relevant to the social issues prevalent at the time. Wood's (2010) observation that the CSP model, as well as that of CSR, is ambiguous can best sum up the attitude displayed by a great number of scholars in the field (Scherer and Palazzo, 2007; Masaka, 2008; Luo et. al., 2015; Blindheim, 2015).

The widely divergent views regarding the impact of CSR on firm performance have been imputed to embedded ideological bias, deficient methodological procedures and general difficulty of measuring corporate social responsibility in an adequate manner (Aupperle, 1985). Inherent difficulty of adequately measuring corporate social responsibility has been meticulously stressed by a multitude of authors (Aupperle, 1985; Chien-Ming Chen, 2010; Wood and Jones, 1995; Hopkins, 2004). The multidimensionality of the CSR concept has been commonly held to be a major reason behind this difficulty of measurement (Nicolosi et al, 2014; Clarkson, 1995; Kashyap et al., 2011). The difficulty of adequately measuring CSR has remained a common thread throughout the evolutionary process of the CSR concept development.

One of the pitfalls of the CSR research field has been its treatment of corporate social responsibility's impact on firm performance as a monolithic process (Halme and Laurila, 2008). Suggestions to remedy this pitfall by introducing firm-specific, industry-related and other extraneous factors (culture, values, environment, etc.) have been repeatedly made by a variety of authors (Galbreath, 2010; Brammer and Pavelin, 2006; Werther and Chandler, 2011; Salzmann et al., 2005; Melo and Garrido-Morgado, 2011; Moura-Leite and Padgett, 2011; Dashwood, 2012). For instance, Tiago Melo and Alvaro Garrido-Morgado (2011) argue that that "results from models that don't control for industry – large cross-sectional studies – disguise or mask structural industrial contexts, as the patterns of measurement between CSR, financial performance and reputation vary significantly across sectors" (18). Rosamaria C. Moura (2012) goes on to suggest that noticeable variances among industrial contexts are undergirded by market, institutional and environment forces, thereon exerting a serious influence on Corporate Social Responsibility. Brammer and Pavelin (2006) argued that 'industry-specific stakeholder pressures' underpin the ways in which CSR is formulated and enacted. Bansal (2005) following the precepts of institutional theory observed that CSR practices tend to be

similar within the same industry groups due to common institutional and stakeholder influences in place. She also posited that the variation in CSR could be well explained by alluding to resource-based view. Application of resource-based view to CSR has been widely practiced before and after Bansal (Waddock and Graves, 1997; Branco, 2006; Gallego-Álvarez, 2011). Culture and values also shape the way in which CSR is applied and formulated (Wang and Juslin, 2009). One important take-away from the foregoing analysis of various factors contributing to the formulation of Corporate Social Responsibility is that CSR is essentially a multidimensional construct.

2.3 Environmental dimension of CSR

The environmental dimension of CSR is preoccupied with the natural environment as well as the sustainability of business practices. A concern for environment and sustainable development is a key pillar of the corporate social responsibility (Uddin et al., 2008). As companies increasingly aspire to be “green” (Lyon and Maxwell, 2008), environmental aspect of CSR is becoming of greater import and relevance. Environmental stewardship - a concept widely circulating in the literature -can provide an enormous stimulus and competitive advantage for firms utilizing it (Molina-Azorin et al., 2009; Sroufe et al., 2007; Fleming and Jones 2013; Herrmann, 2012; Jain and Kedia, 2011). Theoretical literature on the environmental dimension of CSR largely deals with two main issues, namely those concerning the motivational factors (i.e. what motivates firms to engage in certain environmental initiatives) and the welfare effects of environmental CSR. To explain the former phenomenon, a series of suggestions have been advanced including, inter alia, legal requirements (Ward, 2003; Gholami, 2011), cost-reductions and other economic benefits (El Ghoul et. al., 2011), product-innovations (Asongu, 2007), employee attraction, access to capital and increase of revenues (Hansen, 2004³). The welfare aspects, on the other hand, of CSR have been heavily contested, and although it is not within the remit of this study, we will come back to it later.

A study by Mohr and Webb (2005), suggested the positive influence of environmental CSR on company valuation and purchase decisions. Wahba (2008) showed that the companies that display concern and care for environment are more likely to receive

³ **Source** The business case for corporate social responsibility: A company-level measurement approach for CSR (Manuela Weber, 2008; 249). Original article available in German language.

positive response from markets than those firms, which do not display such inclinations. As consumers tend to be generally, more susceptible to negative CSR associations than to positive ones (Brown and Dacin, 1997), a firm that is associated with negligent and detrimental environmental actions and policies can suffer a sharp decline in consumer trust and become subjected to severe market pressures. Employees, investors, consumers, and other stakeholders alike expect companies that they interact with to have a positive contribution to environmental causes (Alniacik et al., 2010). That the adoption of the environmental practices and standards results in higher market value has been suggested by a multitude of authors (Dowell et al., 2000; King and Lennox, 2002; Tsoutsoura, 2004; Schnietz and Epstein, 2005; Fujii et al., 2012). Moreover, a good environmental reputation leads to furthering of positive perceptions and intentions towards the firm. Cetindamar and Husoy (2007) argued that an environmentally conscientious behaviour can become a source of innovation, by virtue of which, a firm can benefit itself as well as society. The “positivist”⁴ school of thought is counteracted by a group of scholars that either suspend their judgement as to the value of relationship between the environmental CR and firm performance, or who suggest that there is a negative relationship between the two (Wagner et al., 2002; Mill, 2006; Murray et al., 2006). It would not thereby be misplaced to suggest that the division in the scholarly thought with respect to the relationship of the environmental aspect of CSR with firm performance is not, at any rate, less accentuated than that of the whole CSR activities.

Piotr Mazurkiewicz of the World Bank (2004) defined environmental aspect of CSR as “the duty to cover the environmental implications of the company’s operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the environment” (7). This definition very well reflects my own conceptualization of the environmental dimension of CSR as put forward, posited and expounded throughout the paper. I treat corporate environmental responsibility as a process whereby firms institute business practices and pursue policies that reduce negative strain on the environment. One of the common questions that is raised with respect to firms’ engagement in environmental activities or projects is whether it is voluntary or not. In other words, do firms tend to go “green” or partake in environmental projects out of their own volition or are they

⁴ By the “positivist” school of thought, I denote a group of loosely affiliated scholars and authors which suggest a positive relationship between environmental CSR and firm performance.

conditioned to do so by other factors? Is it really “the duty”, as Piotr Mazurkiewicz’s definition suggests, or is there something more to it? Some independent studies explored firms’ “beyond-compliance behaviours” (Blackman and Bannister, 1998; Dasgupta et al., 2000; Gunningham et al., 2004; Prakash, 2001; Lombardo, 2009). It is generally very difficult to discern whether firms engage in environmental projects to comply with the existing market forces, expectations and regulations or they envisage increased profits, and therefore consider such engagement as a form of investment rather than a “sacrifice of profits” (Reinhardt and Stavins, 2010). It can be that some environmental activity is, say, legally required, and simultaneously strategically advantageous. Drawing a line, therefore, between a strictly “compliant behaviour” and “beyond-compliance behaviour”, is very difficult and elusive an undertaking. And, although a great number of firms in the Western part of the hemisphere claim to be the undertakers of, so called, “beyond-compliance-behaviours” (Smart, 1992), it is not altogether easy to establish what of their environmental activities lies within or outside of the precincts of strictly “compliant behaviour”. According to Christian Le Bas and Nicolas Poussing (2014), voluntary measures are a primary determinant of environmental policies and actions. Due to the potential benefits of environmentally responsible activities, often manifested through the increase of revenues and decrease of operating costs, cost of capital and regulatory risks, it is necessary to delve into motives that go beyond the strict confines of “compliant behaviour”.

2.4 Types of CSR

Archie B. Carroll (1998) defined the “four faces”, or types of CSR. The first face of CSR, economics, dealt with finding a balance between corporate citizenship and profitability. The second face delved into the issues of codified ethics and law. The third face introduced the concepts of ethical and moral responsibility, a theme very common in CSR studies. The fourth type of CSR, on the other hand, involved the analysis associated with philanthropy and voluntary acts of charity. The works of Carroll on corporate social responsibility, as well as on its various types, have had a tremendous influence on a succeeding generation of scholars, who have adopted, reworked and further developed virtually all of his concepts. The ideas disseminated through his seminal work “The Four Faces of Corporate Citizenship”, written and published in 1998, have found a wide appeal in the works of other scholars.

Geoffrey P. Lantos (2001) identified three types of CSR activities, namely ethical, altruistic and strategic activities. Ethical CSR involves a firm's moral obligation to go beyond its legal or financial obligations, in order to avert risks related to environment, humans, or society in general, even when it comes at a high financial cost and/or incurs no direct economic benefit. Altruistic, philanthropic or humanitarian type of CSR (all three are interchangeably used), goes beyond the ethical domain of averting or rectifying harm directly caused by firms to "assuming liability for public welfare deficiencies that they have not caused" (Mullerat, 2010; 60). An altruistic behavior of firms is often directed at maximizing benefits of various social actors, with small or no benefits, whatsoever, endowed on the company in the process. Strategic CSR, on the other hand, as propounded by Geoffrey P. Lantos, aims at creating an equilibrium position, where the match between strategic business objectives and stakeholder interests are so effected and harmonized, that it leads to a win-win situation for everyone. P.G. Quester and B. Thomson (2001) have called it a "philanthropy with profit motives" to underscore the fact that firms pursuing strategic CSR, are prone to catering to various societal needs, insofar as by so doing they can maximize shareholder profits as well.

Bryan W. Husted and David Bruce Allen (2010), reintroduced a typology of coercive egoism, in addition to that of altruistic CSR and strategic CSR, the latter two of which they had borrowed from earlier authors. The type of coercive egoism CSR states that firms will pursue their self-interests lest they are halted by the intervention from independent regulators. This view suggests that environmentally conscientious actions on the part of companies are mandated by law and social expectations that prompt firms to comply with regulations. Duane Windsor (2006) discussed three key approaches to CSR, namely those of economic, ethical and corporate citizenship. Ethical responsibility, as understood by Windsor, encompassed altruistic, corporate self-restraint and public policy aspects. Economic CSR placed emphasis on wealth creation and maximization of shareholder profits. Corporate citizenship, in Windsor's terms, "expands philanthropy as a strategic lever for increasing corporate reputation and market opportunities while retaining managerial discretion" (93). It translates ethical responsibility into a voluntary act, whereby actors behave in accordance with their volition rather than an imposed set of moral or ethical duties and obligations.

Studies carried out by Halme and Laurila (2008), and Kourula and Halme (2008), opened a completely new chapter into the subject matter. Recognizing the inherent

deficiencies in the previous studies, they called for more “action-oriented” and “pragmatic” approach to the topic. “We need”, maintained Halme and Laurila, “a CR typology that is grounded in a more pragmatic perspective” (Halme and Laurila, 2008 : 328). A complete CR framework, they urged, has to have an intrinsic capacity to account for three of the following facets of corporate activity: the relationship of Corporate Responsibility to firm’s core business, the outcome and target of firm’s responsible actions and practices, and the expected benefits of implemented CR activities. By trying to develop a framework that would have a cumulative power of facilitating the understanding of all three facets, they came up with a tripartite model consisting of Philanthropy, CR integration and CR innovation. Much akin to the previous studies, Philanthropy laid stress on charity, voluntary acts of “giving back” (Visser, 2013), and “doing good” (Fisman et al., 2005) for society, environment, and other constituencies. CR integration, a novel concept in the study of CSR typology, involves a set of actions, procedures and policies that a company undertakes in order to conduct its existing business operations in a more responsible way. CR innovation, as the name suggests, addresses the development of new products, services and models to solve environmental and social issues, avert risks related to a wide gamut of socio-environmental issues, and by virtue of so doing, call for “deeper integration of the idea of responsibility with business” (331). Insofar as the model suggested by Halme and Laurila (2008), and Kourula and Halme (2008), pertain to my studies, it would be useful to analyze each of the three types of CR with reference to the body of literature that exists on the subject.

2.4.1 Philanthropy

The notion of philanthropy commonly describes a pro-active, voluntary, and non-reciprocal act on the part of an entity with the objective of advancing some social or environmental cause without expecting a return in lieu of its investments (Leisinger and Schmitt, 2011). Over the course of many years, there have been three major approaches to Corporate Philanthropy developed and propounded by various scholars, including those of Strategic Philanthropy (Marx, 1998; Friedman and Lagemann, 2001; Saiia, 2003), Corporate Citizenship (Matten and Crane, 2005; Gardberg and Fombrun, 2006; Palazzo and Scherer, 2008; Veleva, 2009) and Corporate Social Performance (Cameron et al., 2003; Wood, 2010).

Strategic Philanthropy attempts to provide a right balance between business interests and community needs. For businesses to grow, thrive and maintain their market position, they need to make investments or donations that will eventually yield results favorable to their strategic intent and orientation. Although, it has been reported that Strategic Philanthropy is of increasing importance to managers (Saia et al., 2003; Werbel and Wortman, 2000; Luo, 2015), there is a growing concern as to the insufficiency of empirical research on its practical applicability as well as the inherent weakness of the existing practices (Brammer et al., 2007; Campbell and Slack, 2008). “But what passes for strategic philanthropy today”, contended Michael E. Porter and Mark R. Kramer (2002), “is almost never truly strategic, and often it isn’t even particularly effective as philanthropy” (1). Bruch and Walter (2005), have argued that Strategic Philanthropy, ought to hold regard for external stakeholders, whilst simultaneously meeting burgeoning market expectations and withstanding market pressures as well as not deviating from its core business in the process. Smith’s (1996) definition of Strategic Philanthropy has enjoyed a wide appeal in the literature as well as the management circles. The definition consists of five core facets: i) coordination of the giving activities, ii) identification of the community issues that are in alignment with the core business of the firm, (iii) placing efficient mechanisms for allocating the firm’s resources in the giving process and (iv) diffusing these giving activities to all levels of the firm’s operations and v) regular reevaluation and revision of other business functions.

Post and Waddock (1995) distinguished between Strategic Philanthropy and Philanthropic Strategy. The former notion implies that a firm has instituted methods and procedures in place in order to ensure the effective transfer of its corporate resources. The latter view, however, states that acts of philanthropy may not necessarily result in increase of tangible assets, but firms who donate money or give away some of their corporate resources for philanthropic purposes, may receive intangible benefits, mostly in the form of reputational improvements and enhancements. Although for some the idea of strategic philanthropy may sound as an “oxymoron (Saia et al., 2003) or as largely inconclusive, the fact of the matter is that it has recently been gaining much support within academic circles as well as practitioners. Strategic philanthropy can be utilized to “achieve a synergistic outcome by targeting corporate resources at societal problems or issues that resonate with the core values and mission of the firm (Saia et al., 2003: 171).

Bruch and Walter (2005) building on the previous corpus of literature identified four types of philanthropy (see Figure 1), namely those of Peripheral Philanthropy, Strategic Philanthropy, Dispersed Philanthropy, and Constricted Philanthropy. Peripheral Philanthropy displays a high degree of responsiveness to external market pressures, needs and expectations but is largely devoid of focus on organization's core business. Dispersed Philanthropy is the least effective and arguably most widespread of all four types of philanthropy as it mostly consists of loosely coordinated activities that fail to respond to stakeholders' needs and fail to account for organization's core business. Constricted Philanthropy focuses on organization's core business, but fails to address the needs and expectations of its key stakeholders. Strategic Philanthropy, being the most effective as well as regrettably the least utilized and comprehended type of philanthropy (Porter and Kramer, 2003), involves "synergistic use of organization's core business and resources to address key stakeholders' interests and to achieve both organizational and social benefits" (Pride and Ferrell, 2008:98).

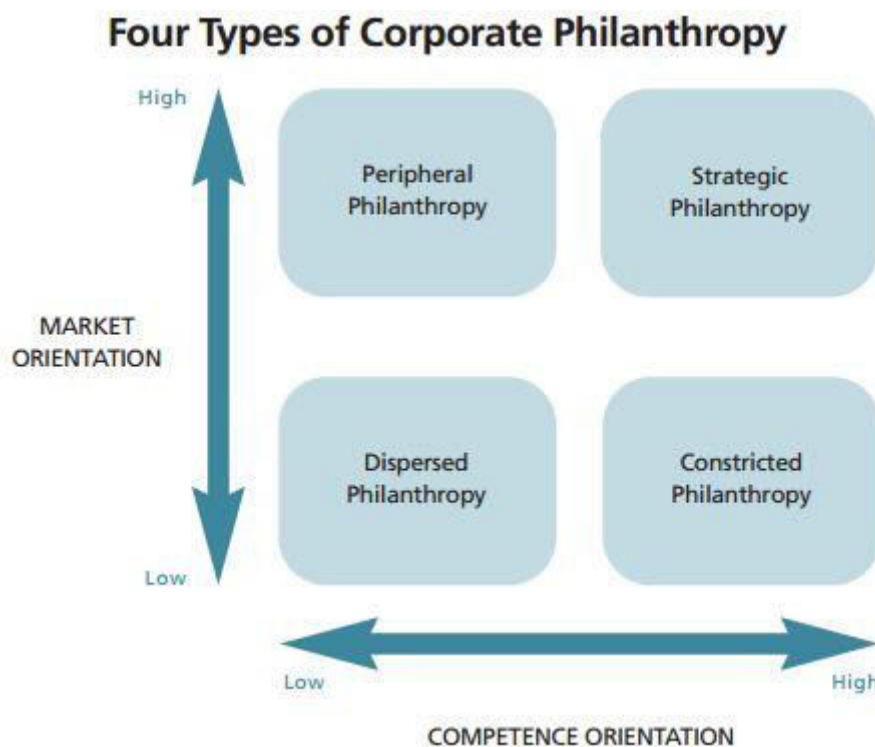


Figure 1. Four types of corporate philanthropy (Bruch and Walter, 2005; p. 51).

The concept of Corporate Citizenship, which most often subsumes the idea of philanthropy, was introduced to the management circles during the 80s, and has ever since become one of the most prominent themes in the management literature. Over the last two decades or so, a great body of scholarly literature has been produced to study Corporate Citizenship at a great length (Carroll, 1998; Ward 2003; Moon et al., 2005; Matten and Crane, 2003; Waddock, 2004; Hemphill, 2004; Valor, 2005; Cohen and Brønn, 2008; Veleva, 2009; Timonen and Luoma-aho, 2010). Archie B. Carroll (1998) equated Corporate Citizenship (CC) with Corporate Social Responsibility, and understood it as the concept unifying four separate “faces”, or aspects. He argued that good Corporate Citizens ought to i) Be profitable, ii) Obey the law, iii) Engage in ethical behaviour, and iv) Give back through philanthropy. Appearing as a good corporate citizen is one of the most predominant factors undergirding philanthropy, an observation well corroborated by interviews with companies that feature in the case studies. Marsden and Andriof (1998) defined CC as “understanding and managing an organisation’s influences on and relationships with the rest of society in a way that minimises the negative and maximises the positive” (329-330). Equivalence of Corporate Citizenship with Corporate Social Responsibility has been challenged by some scholars who urged for an extended theoretical conceptualization of Corporate Citizenship (Matten and Crane, 2005). According to Mitten and Crane, Corporate Citizenship describes “the role of the corporation in administering citizenship rights for individuals”(173). This view dwells upon the political concept of citizenship that was introduced by Wood and Logsdon (2001). Wood and Logsdon (2001) and Logsdon and Wood (2002), claimed, “Business citizen is a responsible player in its local environment with an emphasis on volunteerism and charity, as well as organization’s right and duties in and for the community” (157). The works of Moon et al., (2005) and Scherer et al., (2006) have certainly made a new and promising turn in the field of corporate citizenship.

Halme (2007), Halme and Laurila (2008), and Kourula and Halme (2008) all conceived of philanthropy as lying outside of firm’s core business. However, Caroline Ashley (2009), a proponent of core-business model, argues that companies can pursue their core-business strategies and engage in various forms of philanthropy at the same time. In her view, the acceptance of and dedication to wider responsibilities can no longer be viewed as an “add-on to business, but integral to business” (Woermann, 2012). “Playing to core competencies”, suggested Alessandra Bianchi (2006) “while meeting beneficiaries’

needs is the most effective form of corporate philanthropy” (12). Commonly, no direct benefits are expected from acts of philanthropy (Halme, 2007; Mullerat, 2010), however as proponents of strategic philanthropy assert, firms engaging themselves in philanthropic acts seek for tangible benefits (McAlister and Ferrell, 2002; Pride and Ferrell, 2008). Juxtaposing the societal outcomes of philanthropy with those of CR Integration and CR innovation, Minna Halme and Juha Laurila (2008), maintained that the long-term impact of philanthropy on socio-environmental context is unsubstantial when compared with the impact produced by CR Integration and CR innovation. The reasons for this, they suggest, with reference to the works by Porter and Kramer (2002, 2006), is to be found in incidentality and sporadicity of philanthropic initiatives.

Bruch and Walter (2005) stated that the absence of cohesive strategy to philanthropy rendered it ineffective with respect to its ability to produce tangible, measurable, and continuous results. They go to great lengths to propound some of the ways in which the common pitfalls in the practice of philanthropy can be rectified and/or amended. From the very onset organisations should, they argue, set traceable and clearly defined goals and objectives and assess to what extent these objectives can be implemented in order to advance an organization’s core business and meet stakeholder expectations. Organizations should clearly delineate the extent and scope of their commitment and instead of sporadic and incidental activities (Porter and Kramer, 2002; 2006), they should follow clearly established guidelines in enacting and assessing their philanthropic activities. At last, in order to ensure sustainability of their philanthropic activities, organizations ought to encourage and implement effective communication with all the key stakeholders.

If philanthropy were practiced consistently, with due regard for organization’s strategic objectives, it could, inter alia, serve as a source for competitive advantage (Kotler and Lee, 2005; Demmerling, 2014), foster positive image in the eyes of consumers (Williams and Barrett, 2000; Luo, 2005), maximize profits (Carroll & Buchholtz, 2003), improve long-term financial performance (Brammer & Millington, 2005), create transparent environment for competition (Porter and Kramer, 2005), reduce organizations exposure to potential dangers of losing important resources (Wang, 2008), increase appeal to employees (Backhaus et al., 2002), and secure investments from institutions that value philanthropy (Barnett and Salomon, 2006). Regrettably, philanthropy often falls short of bringing about any of the aforementioned benefits. However, instead of downplaying its

importance, attempts need to be made to ensure that philanthropy serves both community and business interests to the utmost of its potential.

2.4.2 CR Integration

CR Integration is a relatively novel and understudied concept that merits a careful examination. Attention afforded to the concept has been growing slowly over the last decade. CSR integration, as argued by Allen L. White (2005), “reflects a maturation of the CSR idea and recognition of the inherent limits of distancing CSR from core business strategy and operations”(6). Advanced by Minna and Halme (2009), the concept of CR integration, insofar as it strives to find a perfect balance between organization’s responsibilities and its core business, bears resemblance to that of strategic philanthropy. Firms that are characterized by CR Integration try to improve environmental and social performance of their existing operations (Halme, 2007; Kourula and Halme, 2008). In other words, contrary to philanthropy, CR integration is not concerned with activities that are situated beyond the realm of organizations’ core business, but instead focuses on activities that are deeply embedded and integrated into it. Kellie McElhaney’s (2009) concept of strategic corporate social responsibility bears close resemblance to the view espoused by the advocates of CR Integration. Strategic CSR, in McElhaney’s words, is defined as “a business strategy that is integrated with core business objectives and core competencies of the firms, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations” (2009:33). Apropos of this view, a firm’s responsible activities are not only integrated with its core business operations, but are also enshrined in organization’s culture, and are furthermore, designed to create business value.

Allen L. White (2005) argued that CR integration phase comprises three major aspects, namely those of alignment, integration, and institutionalization. During the alignment process, CSR is aligned with general business and strategic objectives. In the course of Integration, CSR is integrated across business entities and functional areas. Institutionalization entrenches strategies, business practices, policies and operations into the fabric of organization. “Companies should”, argue Ranjay Gulati et al., (2014), “engage in strategic CSR, where they identify CSR initiatives that are directly related to

their business activities so that they can combine social welfare with financial welfare”(76). The implicit assumption in this statement is that the integration of CSR initiatives with core business activities, is more likely to lead to bettered socio-environmental and financial outcomes than, say, philanthropy. Firms need to have a better understanding of their value chain and should pursue socio-environmental initiatives that are conducive to maximizing the value chain, whilst, complementarily, also benefitting the society. Regine Barth and Franziska Wolff (2009), distinguished between “built-in” and “bolt-on” CSR, where the former bore resemblance to philanthropy as it placed socio-environmental commitment outside of a firm’s core activities, whereas the latter displayed similarity with Strategic CSR or CR Integration, as it built socio-environmental concerns into the fabric of its business practice.

Identifying CSR activities that are directly related to a firm’s core business can serve as a good starting point for successfully implementing CSR strategy. Ranjay Gulati et al., (2014) suggested a four-step process that could help in the implementation process of CSR.

Step 1. Identifying the inside-out and outside-in linkages.

The inside-out linkages comprise activities that have a direct impact upon society. Hiring and promotion policies, greenhouse gas emissions and pollution of coastal and marine ecosystems are all examples of inside-out linkages. Outside-in linkages, on the other hand, “consist of social dimensions that can affect a firm’s ability to improve productivity and execute strategy” (2013:76). Examples of such linkages are, inter alia, industry regulations, market competition, access to human and natural resources as well as national legislation.

Step 2. Finding a golden balance between business and societal interests.

In choosing what social issues to address, firms should primarily seek for opportunities that would potentially generate benefits for the business, while also benefiting the society. Supporting generic issues can scarcely bring about the desired benefits or improve the competitive context of a firm. Therefore, companies ought to refrain themselves from pursuing generic social issues and instead focus on issues that could exert positive impact on their business value or, say, their competitiveness.

Step 3. Creating a corporate social agenda that would support the inside-out and outside-in dimensions.

After identifying the inside-out and outside-in linkages and finding a proper balance between the business and societal interests, firms need to devise a corporate social agenda that will be closely knit with business strategy.

Step 4. Adding social dimension to the value proposition

Adding social dimension to a firm's value proposition attests to the fact that social impact is an integral part of the overall business strategy. By adding social dimension to the value proposition, a firm shows its genuine concern and care for the social impact of its operations and business activities.

There is striking paucity of empirical research on the nature and outcomes of CR integration. In light of the claim that CR Integration "has more potential with regard to both financial and societal outcomes" (Halme and Laurila, 2009:336) than philanthropy, it is not altogether easy to explain the neglect in which this concept has been lingering. Reflecting in hindsight it becomes clear that there is yet a lot of work to be done before this potential is fully realized. One can only hope that the research community will pay much more attention to this issue in the future than it has hitherto done.

2.4.3 CR Innovation

It is noteworthy that very little attention has been afforded to exploring the fit between CSR and innovation (MacGregor and Fontrodona, 2008). Only a handful of studies have explicitly discussed the fit between the two concepts (McWilliams and Siegel, 2000; Bansal, 2005; MacGregor and Fontrodona, 2008; Midttun, 2008; Gallego-Álvarez et al., 2011). While some scholars as well as corporate leaders view CSR as an integral part of strategic process, others tend to view it as a source of innovation (Allen and Husted, 2006). Nidumolu et al. (2015) corroborate this view by asserting that CSR ought to be considered as "a key driver for innovation". Borger and Kruglianskas (2006), having carried out an empirical study about the fit between CSR and innovation in Brazilian enterprises, concluded that there is "a strong relationship between the adoption of a CSR strategy by the firm and an effective environmental and innovative performance" (399).

Moreover, Mendibil et al., (2007), have argued that the link between CSR and innovation is more manifest in those firms where CSR forms an integral part of the business strategy. It would be, none the less, a mere understatement to suggest that there is unanimity on the subject of compatibility of CSR and innovation. Midttun (2006), for instance, argues that insofar as Innovation and CSR are complex and multidimensional phenomena and “while the assumption of compatibility and synergy may be reasonable for some types of innovation, and some types of CR, it can hardly be argued on a general basis” (3).

CR Innovation, as propounded by Halme and Laurila (2009), is tantamount to developing new models, products and solutions in order to avert and/or alleviate socio-environmental problems. As regards this view, organizations should no longer see embedded problems in external environment as a threat but rather as a business opportunity to be capitalized on. Whenever observing a range of environmental or social problems, firms can think of innovative ways of overcoming them by developing a new product or service that can, on the one hand, cater to communal needs, and create new business opportunities, on the other. Isabel Gallego-Álvarez et al., (2011) assert, “CSR practices can lead to innovation through the use of social, environmental or sustainability drivers to create new ways of working, new products, services, processes and new market space”(1713). Mendibil et al., (2007) asseverate that CSR activities that are directed towards supporting the environmental causes often lead to product and process innovations.

Having implemented a 15-month study involving 60 small and medium-sized enterprises from Europe, MacGregor and Fontrodona (2008) distinguished between CSR-driven innovation and innovation-driven CSR. CSR-driven innovation aims at creating products and services that can serve some social purpose. In the authors’ words, “It is driven by values for the creation of social products and services” (2008; 9). Innovation-driven CSR, alternatively, is triggered by value and is more concerned with creating social processes. It does not tarry solely over social rationale; however, its actions tend to be more socially responsible. “CSR-driven innovation”, added MacGregor and Fontrodona, is about “doing the right things,” while innovation-driven CSR is about “doing things right”. To better illustrate the difference between Innovation-driven CSR and CSR-driven innovation, they have created “the virtuous circle” (see Figure 2). The study by McGregor and Fontrodona (2008) contradicts a long-held view that only large firms can create value through CSR innovation. The findings of this study have been further substantiated by

Rachel Bocquet et. al., (2011), who argue that “small companies can also introduce radical innovation based on their CSR involvement”(1).

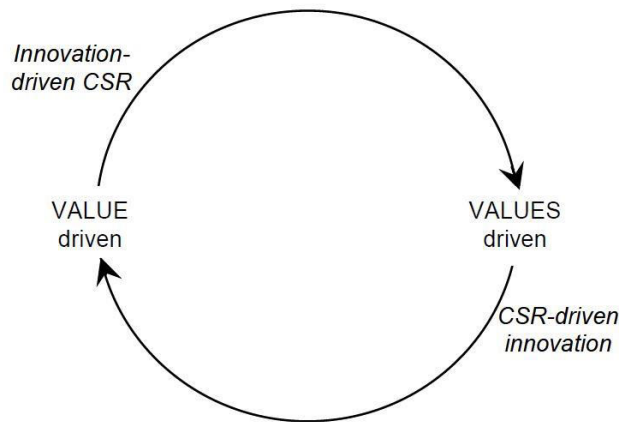


Figure 2. The virtuous circle of CSR and innovation (Macgregor and Fontrodona, 2008: 13)

The concept of CR innovation, as suggested by Halme and Laurila (2009), and Kourula and Halme (2008) can be likened to that of CSR-driven innovation, as it also treats a social or environmental problem as a source of innovation. Both of the two concepts view CSR-driven innovation as “an innovative process which aims at designing a profitable product or service which in an innovative and us

er-oriented way can prove beneficial to the surrounding environment and society” (Als, 2010:4). By pursuing CSR-driven innovation, companies can boost their growth and overall competitiveness. Kourula and Halme (2008) observe that CR innovation “potentially carries more long-term positive business outcomes than philanthropy” (568). However, firms have to go through an arduous and lengthy process before they achieve the full integration of CSR and innovation, and consequently, avail of full benefits that such an integration offers. The CSR innovation maturity model (see Figure 3) devised by MacGregor and Fontrodona (2008), suggests that CSR and innovation can simultaneously co-evolve in the enterprise, with better nexus between the two capable of generating greater long-term value and sustainability. The CSR innovation maturity model is a tripartite model consisting of three stages: 1) Founding vision, 2) Narrow formalisation, and 3) broad-formalisation and strategic crossover. As firms move across these stages, the

connexion between CSR and innovation becomes stronger, until, at the last stage, the two phenomena are fully integrated. By means of completing the integration, firms can ensure sustainable value creation across the entire enterprise.

Concerning the relation of CR Innovation to core business, Halme and Laurila (2008) have argued that “CR innovation is usually closer to core business” (333) than philanthropy, or even CR integration. Activities commonly associated with CR innovation lead either to enlargement of core business or creation of new business. Speaking of accommodative-proactive CSR, typology originally suggested by Max Clarkson (1995), Kai Hockerts et al., (2008) posit that innovations driven by implementation of responsible business activities enhance “value creating potential” chiefly by complementing the firm’s core business. Michael Porter and Mark Kramer (2006) have stressed the importance of integrating socio-environmental considerations more efficiently into core business model, so that CSR, instead of being a financial constraint, can become a source of innovations and business opportunities. Visser (2010; 2014) introduced a concept of Systemic CSR that has at its core the idea of identifying and confronting the rudimentary causes of unsustainable and irresponsible behaviour through the creation of innovative business models and processes. It is likely, David Grayson and Jane Nelson (2013) envisage, that awareness will continue to grow among multiple actors “that business has both the opportunity and the responsibility to create new shared value {e.g.by means of innovation} and protect existing value through the way companies integrate social and environmental risks and opportunities into their core business”(17). On the whole, it is only too regrettable to concede that no empirical studies have been advanced addressing the nexus between CSR and innovation with reference to core business activities and processes. Although periodic suggestions have been made that close integration of CSR into core business model is likely to lead to greater innovativeness and competitive advantage, no convincing arguments or studies have been proposed to delineate clearly the processes and mechanisms through which these phenomena occur.

Although last few years have witnessed a relative surge in the number of scientific articles exploring the links between CSR and Innovation (Rexhepi et al., 2013; Luo and Du, 2014; Bocquet et al., 2013; Vilkè, 2015; MacGregor and Fontrodona, 2011; Ubius and Alas, 2012; Ferauge, 2013), no real advancements have been made in terms of delineating the models, processes, or ways in which the two phenomena are inter-related. To my knowledge, no convincing attempts have been made to address the objection raised by

Midttun (2006), that no compatibility or synergy between CSR and innovation can be argued for on a general basis, but only, with respect to certain types of CSR and innovation. It has been mentioned in the foregoing pages that existing conceptualizations on distinctive types of CSR have failed to account for their social-environmental outcomes. It is therefore necessary to develop studies in the future that will attempt to propose how each distinct type of CR bears upon innovation.

Ulle Ubius and Ruth Alas (2012) endeavoured to show that CSR exerts a positive influence on the innovation climate. Success of this endeavour could be questioned, however. Halme and Laurila (2008), as much as they deserve the credit for introducing the concept of CR Innovation, have not sufficiently accounted for mechanisms and processes that could shed light on the nexus between CSR and innovation. They may be exempted from this “deficiency” on the grounds that it was not within the remit of their study to do so. One of the positive tendencies in the field has been a proposal of comparative framework between MNCs and SMEs to account for differences based on firm size (Bocquet and Mothe, 2011). Contrary to previous theoretical predictions, SMEs, much akin to large companies, were suggested to be capable of creating value through formalized innovation procedures driven by strategic CSR. In view of the foregoing literature review, it would be justified to call for greater attention on the part of the research community to understanding the impact of each distinctive type of CR on innovation, delineating methods, mechanism and ways through which CSR and Innovation interact with one another, as well as providing a clear-cut picture to managers and practitioners on how to enhance value creation by successfully integrating CSR and innovation. The present study, by virtue of featuring a wide array of companies, differing in terms of size as well as industry, will hopefully help attain better understanding as to the impact of size or industry on the relationship between innovation and CSR.

CSR: innovation maturity model

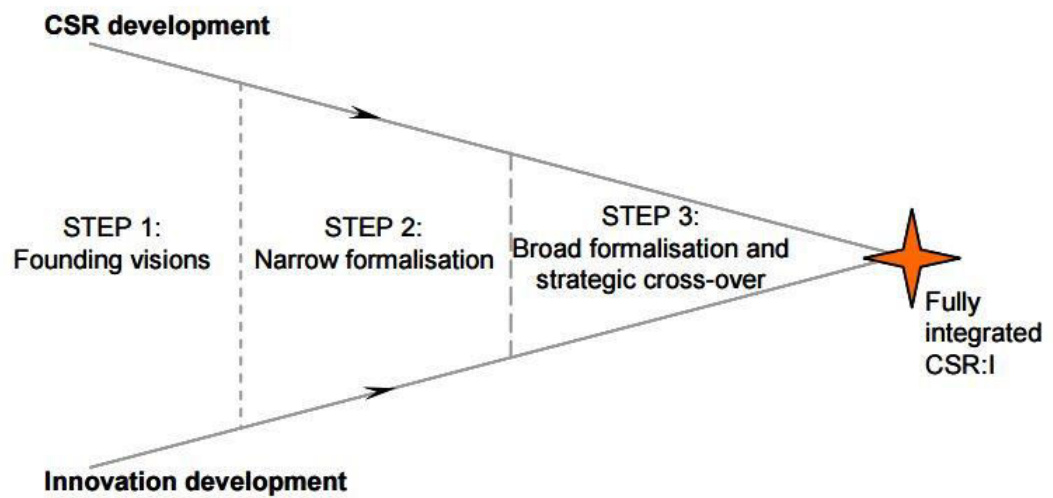


Figure 3. CSR innovation maturity model (Macgregor and Fontrodona, 2008: 19)

2.5 Integrating CSR into Core Business Model

It has been argued by P. Hohnen and Jason Potts (2007) that CSR approach should be a vital part of companies' core business objectives and strategic processes. Clearly defined CSR ought to be "embedded within and reflect the core values" of an enterprise (McElhaney, 2009). In so doing, companies can ensure that, through CSR activities, not only socio-environmental value is created and diffused to society, but that business value is created as well. Benefits of aligning CSR with strategic objectives and core business activities manifest themselves in improved "human resources, reputation, branding, and operational cost savings" (McElhaney, 2009). Organizations, on the whole, perform better when concomitantly attending to both their core business competences and responsible commitments to society (Kurucz et. al., 2008). Given the complexities and challenges that businesses often find themselves in, finding the optimum balance between various socio-environmental factors and financial profitability may be instrumental in steering enterprises out of trouble and setting them on a path of sustainability. Embedding responsible CR activities into organizational culture and aligning them with core strategic operations can help achieve that "optimum balance" (Urip, 2010). The congruence

between CSR and core business model may be attained if an organization's core activities (e.g. products or services) are directly related to the socio-environmental cause that they support (Cone, 2007). Likewise, as Shuili Du et al., (2012) maintain, the nexus between the two phenomena may result from an organization's "affinity with specific target segments" or "corporate image associations created by the brand's past conduct in a specific social domain".

D. Grayson and A. Hodges (2004) expounded a Seven-Step Model comprising of suggestions on alignment of an organization's socio-environmental initiatives with its strategic objectives, values and core business model, for the benefit of both the business and broader community. The model emphasizes the importance of companies clearly identifying what its core values, principles and business objectives are and then aligning its CSR initiatives with them. This view is supported by Porter and Kramer's assertion that "each company must select issues that intersect with its particular business" (2006: 5-16). Integration of CSR "into every element of the business" (Jenkins, 2009) is the most important objective to be pursued. The Seven-Step Model also serves the purpose of showing that the alignment of CSR with core business is a multi-faceted, continuous, and by no means, an easy process. The multifacetedness and complexity of wedding CSR with core business is further corroborated by the core-periphery perspective of CSR propounded by Yuan et al., (2011). Seven distinct patterns were proposed by Yuan et al., (2011), which in conjunction with three dimensions, describe the inclusion of CSR into core business. Interestingly, proponents of this 7-pattern view have also notably argued that focusing only on external fit may miss the importance of attaining to internal consistency between core business and CSR. "A purely external focus", Yuan et al., maintain, "reduces CSR's potential to contribute to business performance" (2011:88). Henceforth, assessing both external and internal fit is crucial to increasing sustainability and creating an effective business framework.

"The prevailing approaches to CSR", Porter and Kramer (2006) have argued, "Are so disconnected from business as to obscure many of the greatest opportunities for companies to benefit society"(Porter and Kramer, 2006: 1). A great many firms still view CSR as completely divorced from prevailing business operations and show little or no interest in amalgamating the two (Yuan et al., 2011). The prevailing approach to which the two authors alluded is manifest in treating the relationship between socio-environmental commitments and business performance as a zero-sum game. Treating CSR as a peripheral

add-on activity is an inseparable part of this “zero-sum game” view. Tania Ellis (2010) called for departure from the “Old World CSR” that treats CSR as a mere extension to a firm’s strategic operations to the “New World CSR” that envisages CSR as an integral part of an organization’s core business. Some of the benefits attributed to the “New World CSR” are “improvement of the corporate brand, differentiation from competitors and increased operational efficiency, attraction and retention of employees, development of new products and services and access to new markets and customer segments” (2010:157). Philanthropy is the most widespread form of CSR where activities of CSR are mere extensions to core business (see Figure 4). When CSR activities are fully incorporated into business strategy, CSR becomes a tremendous source of creativity and business innovations (Wagner, 2010; Vilanova et al., 2008). It can also become a formidable force for business opportunities (Porter and Kramer 2006), brand enhancement (Middlemiss, 2003), improved labor force (Gulati et al., 2013) and long-term competitive advantage (Milton de Filho et al., 2010).

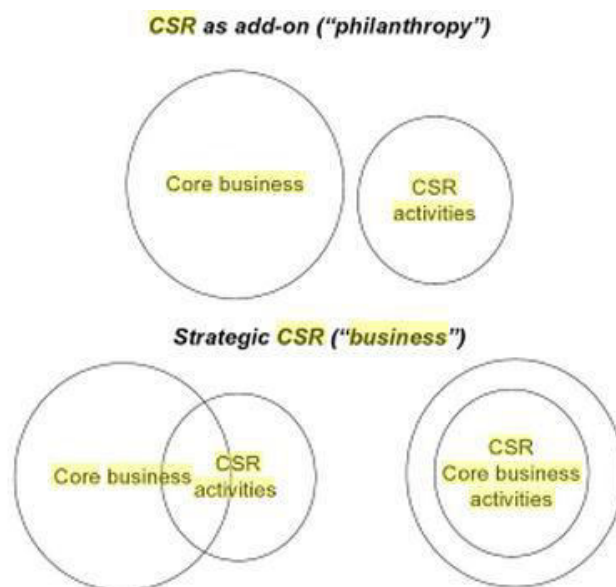


Figure 4: CSR approaches (Tania Ellis, 2010: 157)

Herman Aguinis and Ante Glavas (2013) distinguished between peripheral and embedded CSR. The former becomes manifest in situations where CSR activities are related to strategic objectives but are not incorporated into daily operations and routines. The latter, on the other hand, is directly tied to an organization’s core competencies and is

fully integrated into its long-term strategy as well as its daily operations and routines. One of the chief differences between the two types of CSR is that one is context generic, whereas the other is context specific. Peripheral CSR, for instance, is context generic insofar as it can be implemented by any organization at any convenient moment. Embedded CSR, alternatively, is context specific, as it requires an organization to dwell upon its unique core business and capabilities when implementing CSR. Smith and Bartunek (2013) have questioned the legitimacy of embedded-peripheral distinction. Contrary to Herman Aguinis and Ante Glavas (2013), they assert that philanthropic and volunteering activities, although in principle separate from an organization's strategic intent and routines, may reinforce a firm's core values by, say, strengthening brand status or developing employee skills and competences, and in so doing, they can be rightly regarded as embedded. The line between embedded and peripheral CSR is very thin making it very difficult to clearly define the domains of the two concepts. For instance, the reduction of waste and environmental stewardship have become the core of business operations for a multitude of businesses. In spite of the fact they often lie beyond the remit of an organization's strategic objectives, as Aguinis and Glavas argue, they can, none the less, foster core values, and therefore dubbing them peripheral may not be well justified. Wayne Visser (2013) maintained that peripheral CSR is the most common form of CSR, especially in the developing countries. Manfred Pohl and Nick Tolhurst concurred with this assertion "CSR is, at best, a peripheral function in most companies" (2012:315).

Even when attempts are made to embed CSR activities into management systems and practices, no fruits are borne with respect to a company's core activities and competences. Visser went so far as to warn against "the curse of peripheral CSR". Mariah Yates and Elaine Hollensbe (2013, following the embedded-periphery categorization proposed by Herman Aguinis and Ante Glavas (2013), have argued for effectiveness of peripheral CSR, without, however, negating the substantial benefits provided by embedded CSR. "Well-designed peripheral CSR programs", argued they, "can also be executed in a genuine and transparent way, and can add significant and unique value to companies over and above that added by embedded CSR"(369). In other words, organizations can implement both peripheral and embedded CSR, hand in hand, and far from eroding the effectiveness of each other they can expand, supplement and enrich one another.

Embedded CSR may essentially be associated with the typologies of CR integration and CR innovation as propounded by Halme and Laurila (2009), Kourula and Halme

(2008), while peripheral CSR incorporates elements of the Philanthropic typology. Mariah Yates and Elaine Hollensbe (2013) have maintained that one type of CSR may compensate for deficiencies associated with the other type of CSR. By engaging in peripheral CSR, organizations can obtain benefits that would not be possible by means of embedded CSR, thus “providing employees and the organization an opportunity to reap the multiple benefits of engaging in CSR”(371).

Embedded CSR, treating CSR as an inseparable part of business (Sun, 2010), stays in stark contrast to a widely held view that CSR is simply an add-on activity or extension to the existing business practices and initiatives. The embedded CSR view considers CSR to be the building block of an organization (Visser, 2010), woven into the very fabric of its business culture, values, and strategic objectives. This view also bridges the gap between business and society, arguing that interests of the former cannot be freely pursued without due regard for the interests of the latter. “Social and moral obligations infused in business and embedded in society”, as maintained by proponents of embedded-CSR view, “are the key of CSR” (Stewart et. al., 2010: 5). Organizations characterized by embedded CSR, maintain Yolanda Sarason and Grace Hanley (2013), should exert impact on the triple-bottom line that includes people, planet and profit. Embedded CSR should illustrate an organization’s capability of incorporating CSR in overall business strategy and routines across all organizational boundaries and business units. Organizations with embedded CSR are not only avid advocates of environmental stewardship and responsible business initiatives, but they also strive hard to ensure that responsible actions manifest themselves in every product and service that they offer. Embedded CSR is still in its early stage of conceptual development calling for increased attention from scholars. More empirical studies are needed to provide better justification and rationalization of the concept as well as to open new research horizons in which scholarly interest can be borne, developed and propagated.

A recent study by Michael A. Webb (2014) showed that “CSR initiatives are most likely successful and sustainable when a firm accurately identifies the benefits and costs of potential CSR initiatives and implements them consistently with its core competencies”(417). The author goes on to suggest three reasons why firms should tie their CSR initiatives to core competencies: i) to reap economies of scale and build knowledge and skills across all units of the company, ii) to promote worker productivity, and iii) to exploit the fixed costs related to managing workforce. On the whole, it can be said that

entwining CSR with core business is associated with multiple benefits, which, in part, depend on the level as well as type of integration between the two.

2.6 Theoretical framework

In this section I will sum up the most central themes from literature most pertinent to the present study and research setting. Figure 5 features the most pivotal aspects and flow of my research framework. It has been discussed in the foregoing chapters on literature that the subject of CSR has received increased attention from the scholars as well as practitioners in recent times. The trend of growing interest toward CSR, however, has had a relatively slight impact upon the study of relationship between a firm's CSR strategy and core business. Treating CSR as a monolithic concept has been an Achilles' heel, hampering our understanding of the actual outcomes of CSR activities as well as peculiarities of different types of CSR. Different types of CSR do indeed display a varying degree of interconnectedness with core business, and thereby vary greatly in terms of both societal and business outcomes.



Figure 5: Theoretical framework

On the whole, it can be said on the basis of the surveyed literature, that CSR is generally treated either as a peripheral or strategic activity. Philanthropy, one of the three pillars of the tripartite typology applied in this study, is most commonly regarded as

peripheral to a firm's core business practices, whereas CSR integration and CSR innovation – the other two pillars of the same typology – are conceived as strategic to or embedded into core business. I extensively rely on the tripartite typology in my analysis and interpretation of the case studies as well as other BSAG commitments. The tripartite typology encompasses and/or reflects all major types of CSR discussed in the literature part. In addition to helping view the BSAG commitments from a unique perspective, it also allows for better flexibility in terms of accounting for the nexus between CSR and core business, and above all, helps better understand the business and social outcomes of such relationships.

3 Methodology

In this chapter I will review the methodological considerations applied in the study. A brief discussion on the research context will be followed by the examination of the research methods and unit of analysis, which will in turn be succeeded by making an inquiry into the process of data collection. I will also briefly look at the strengths of using qualitative case study method and try to justify its use in the light of my own study. Other important matters such as interviews, collection of secondary data and the assessment of reliability and validity of the study will also be afforded some attention towards the end of the chapter.

3.0 Research methods

This chapter reviews the research methods used for the study. The chapter is structured in such a way that the research context is presented first and is, thereafter, ensued by the examination of the selection of the research methods. Subsequently, the chapter continues with discussing the research design, whilst the data collection, process of analysis and unit of analysis are afforded a fair amount of attention. The chapter draws to a close with the discussion on the reliability, validity and generalizability of the research and by delineating the limitations of the study.

3.1 Research context

The focal point of this study – the connection between a firm's CSR and core business - will be looked upon in the context of Baltic Sea Action Group commitments. An overwhelming majority of the commitments implemented under the aegis of BSAG have a strong environmental angle and could be conceived of as demonstrative of environmental CSR. It was in February 2010, when, at the summit in Helsinki, Finland, first commitments were made by a multitude of state and private actors, mostly with the ultimate objective of ameliorating the state of the Baltic Sea. Altogether 147 pledges of commitment were made at the summit, some of which, I will be looking at in my case studies. In the aftermath of the summit, more and more companies began to enter the fray, hence resulting in more pledges of commitment. In this respect, the *Baltic Sea Action Summit Helsinki 2010* was ground-breaking. Importantly, the commitments made in the BSAG framework, provide a very fertile ground for studying the subject from a variety of interesting angles.

3.2 Research objectives and unit of analysis

The main purpose of this research has been to understand how individual commitments made in the course of the BSAG initiative were reflected in the firms' core business competences. The unit of analysis is the integration of commitments into the firms' core business. The tripartite typology devised by Laurila and Halme has been applied to make sense of the commitments and evaluate the nexus between the individual commitments and firms' core business operations. In applying this typology, I have drawn on previous research carried out by Laurila and Halme (2008; 2009). The scope and focus of my research has been quite peculiar, in spite of the fact that some of the discussed themes, most importantly, those related to the linkage between a firm's core business and CSR, have been gleaned and further developed from previous studies.

No previous study has, to my knowledge, busied itself with applying the tripartite typology to exploring the links between CSR and core business, especially, in the same context and with the same degree as my own study. Having focused my study on the Baltic Sea environmental initiatives spearheaded by the BSAG, I have greatly availed myself of having access to a very diversified group of organizations, consisting of large size

corporations, SMEs, NGOs, as well as social enterprise(s). The great diversity of the participant companies has influenced my choice of research methods and has underpinned my approach to the subject matter.

3.3 Qualitative case study method

“Qualitative case study methodology”, argue Baxter and Jack, “provides tools for researchers to study complex phenomena within their context” (2008;p 544). Its nature is mainly exploratory and helps obtain clearer answers to “how” and “why” questions. Contrary to the constructivist views espoused by Stake (1995), and much akin to realist paradigm (Godfrey and Hill, 1995; Merriam, 1988) I posit there to be an objective reality, and I consider case studies to be an attempt to investigate this reality from multiple angles, untangling, in the course, a web of blurred images, contradictions, and inconsistencies, spun around the path to this reality. I, veering toward realism paradigm, hold that case studies are of great import especially when “boundaries between phenomenon and context are not clearly evident” and/or when a phenomenon is so intricate and complex, that it cannot be accessed, save by means of in-depth investigation or scrutiny. Although I am cognizant of general positivist underpinnings of some of these utterances, I should note here that I have relied somewhat noticeably on the interpretivist paradigm as well in the course of my research, and would venture to say that I don’t consider the two paradigms (i.e. positivist and interpretivist) mutually exclusive, especially when applied in so minimalist and contracted a fashion as it was done in my case.

The use of exploratory, multiple-cases studies has allowed to examine the nexus between a firm’s core business and its CSR activities from a variety of different perspectives, enabling thus to create a coherent framework against which certain assumptions and ideas could be measured. The application of the tripartite CR typology suggested by Halme and Laurila (2008) to this study, has not only been one of the first serious attempts to put the typology to full use, but, it has also considerably helped shed some light on the subject.. The case studies utilized in this research were intended to glean information that would be conducive to future studies of the phenomenon. Being well aware of the challenges associated with drawing generalizations from case studies (Yin, 2009), I merely endeavoured to show that examining the context and other complex

conditions pertinent to each case can play an integral role in understanding the intricacy of the whole phenomenon.

Multiple-case design is generally thought to “provide greater confidence in the studies” (Yin, 2013), and in contrast to single in-depth case studies, offers an opportunity to compare and contrast the findings. Eisenhardt and Graebner, drawing on the earlier study of Yin (1994), argued that “multiple cases are discrete experiments that serve as replications, contrasts, and extensions to the emerging theory” (2007; 25). Grounding of propositions and findings in varied empirical evidence solidifies the study and renders it of greater use to other researchers who intend to expand some of the findings of this study. The use of multiple cases has also helped me explore the research question with greater manoeuvrability and efficiency. One of the gravest challenges in multiple-case research, as it has been sharply felt by me, “is to stay within spatial constraints” (Eisenhardt and Graebner, 2007). However, this challenge has been adumbrated by the inherent ability to triangulate data and verify the findings by extensive comparison of primary and secondary sources, which in turn replenished my source of understanding the phenomenon with vigour unafforded by single-case studies.

3.4 Process of data collection and analysis

Data for this thesis was collected by means of extensive analysis of the BSAG’s commitment bank⁵ – an online database for organizations participating in the BSAG initiative – and was further complemented by in-depth interviews, case studies, and other available secondary materials. Over 250 organizations are included in the commitment bank maintained by the BSAG. The commitment bank includes background information of each organization and its respective commitment. I have only extended the information provided in the commitment bank to better accommodate my research objectives. I have, *inter alia*, included new categories such as industry, revenues, stated firm strategy, match between the strategy and commitment, and expected business benefits to gain clearer insights as to the firms’ background and their motivation to partake in the BSAG initiative. It is perhaps noteworthy to mention here that a vast majority of the commitments – 194

⁵ <https://bsagweb.azurewebsites.net/Default.aspx?SPHostUrl=https://bsag-public.sharepoint.com&SPLanguage=enUS&SPClientTag=6&SPProductNumber=16.0.4107.1226&SPAppWebUrl=https://bsag-3691f6b581607d.sharepoint.com/i1DecisionApp>

(80 %) –made in the course of the BSAG framework are by Finnish firms. The remaining 50 commitments (20 %) are representative of the following countries: Belgium (1), Denmark (6), Estonia (2), Germany (3), Latvia (10), Lithuania (4), Netherlands (1), Norway (2), Poland (1), Russia (8), Spain (1), Sweden (8), Switzerland (1), United Kingdom (1), and United States (1). Considering the share of each country's participation in the Baltic Sea Action Group initiative, it perhaps becomes more evident as to why most of the companies that I have interviewed hail from Finland. The pie chart below displays the breakdown by country.

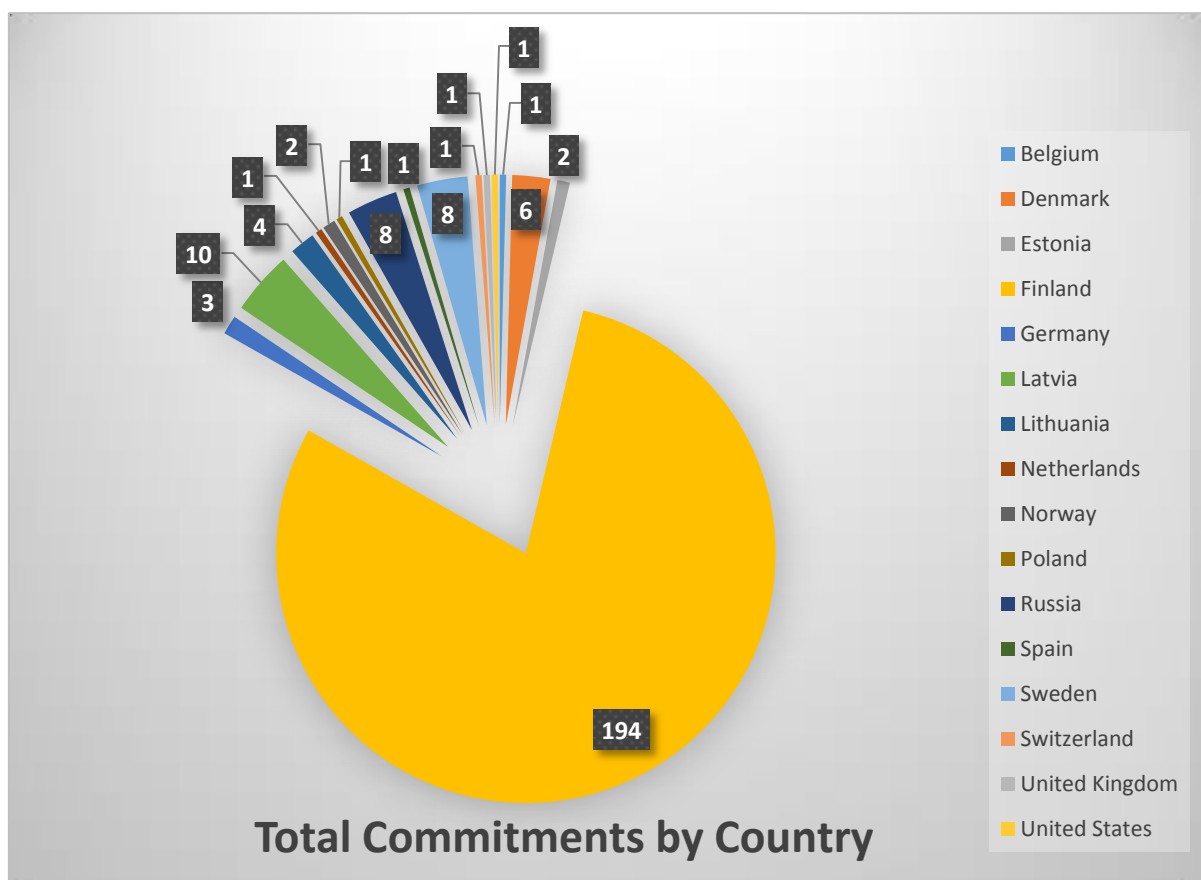


Figure 6 – Breakdown of commitment makers by country

Although the commitment makers represented different types of organizations, I have primarily selected firms from private sector. Out of 244 commitments, 160 were made by private organizations, 37 by Public, 45 by Third sector, and 2 by Other types respectively. The rationale behind selecting private firms vis-à-vis other types of

organizations was shaped by the research questions and other considerations naturally stemming from it thereof. The Figure 7 below shows the count of organization types present in the BSAG initiative.

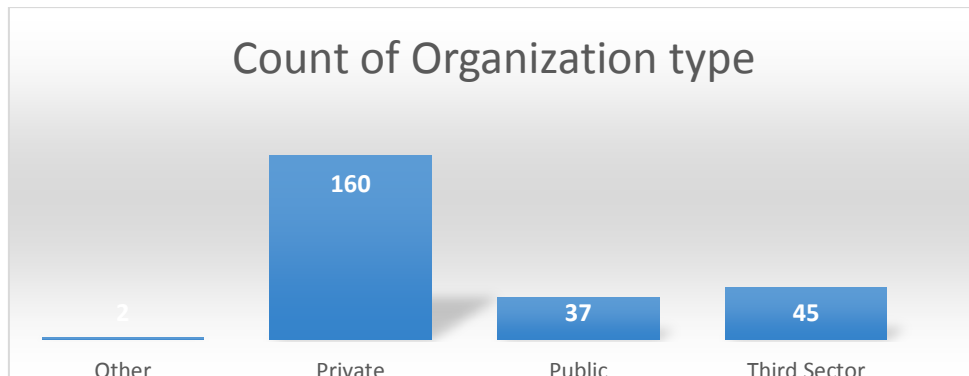


Figure 7 – Organization types of the commitment makers

One must perhaps mention in passing that not all the commitments discussed in the case studies or contained in the commitment bank were completed at the time of my review. More specifically, out of 244 commitments, 143 were completed, whereas 101 were still pending at the time of writing this study (refer to Figure 8).

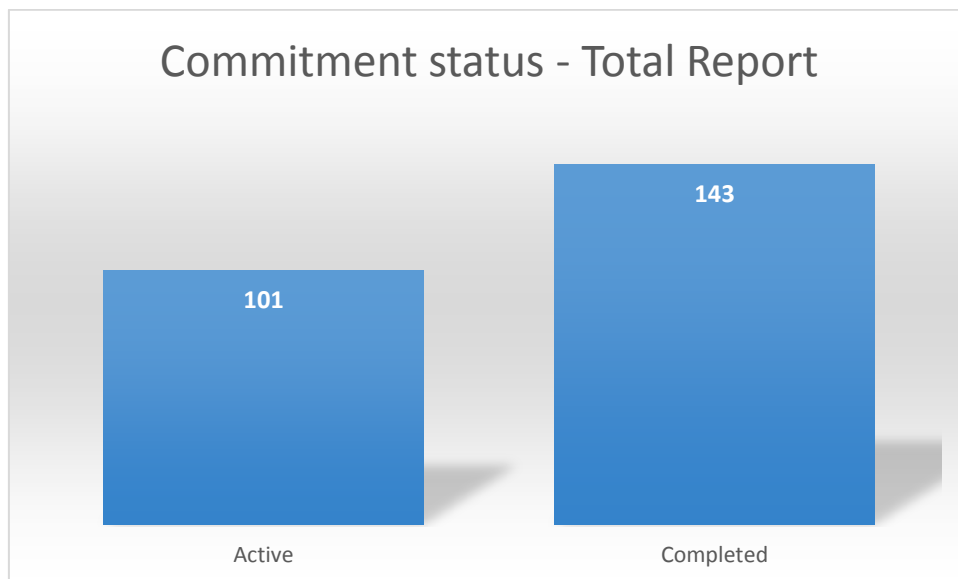


Figure 8 – Commitment status (Active vs. Completed)

As regards the commitments of the companies contained in the case studies, 3 out of 11 were unfinished during my work on this thesis. Therefore, it may be plausible that my analyses of the pending commitments are incomplete, inchoate, or subject to revision and/or modification by reason of further developments. It is on the basis of this very

reason that in the closing chapters of this study I call for continuous monitoring and evaluation of the commitments. Timeframes of the commitments are shown in Appendix 2.

As regards the commitment types, companies were divided on the basis of three major categories: i) solving a concrete problem, (ii) providing goods, services or financial support to help BSAG, and (iii) organization's internal development process. Almost all philanthropic initiatives are subsumed under the second category, whereas CR innovation, CR integration or other forms of Strategic CSR can be encountered in each of the three categories. I tried to include at least one company from each group in my case studies.

Figure 9 describes the commitment types.

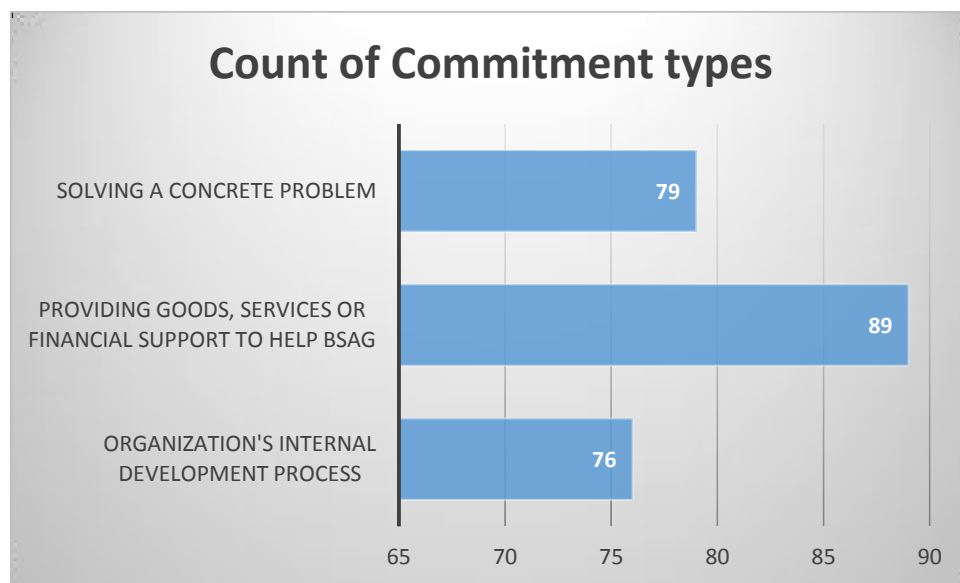


Figure 9 – Commitment types

The commitment bank companies represent a vast spectrum of industries. An overwhelming majority of the private firms are service-centred. They operate in banking, consulting, transportation and other service sectors. Manufacturing sector is represented by almost twenty companies, whereas IT and Retail claim the equal number – 13 firms each. The chart below displays the industry breakdown for private firms included in the BSAG commitment bank (see Figure 10).

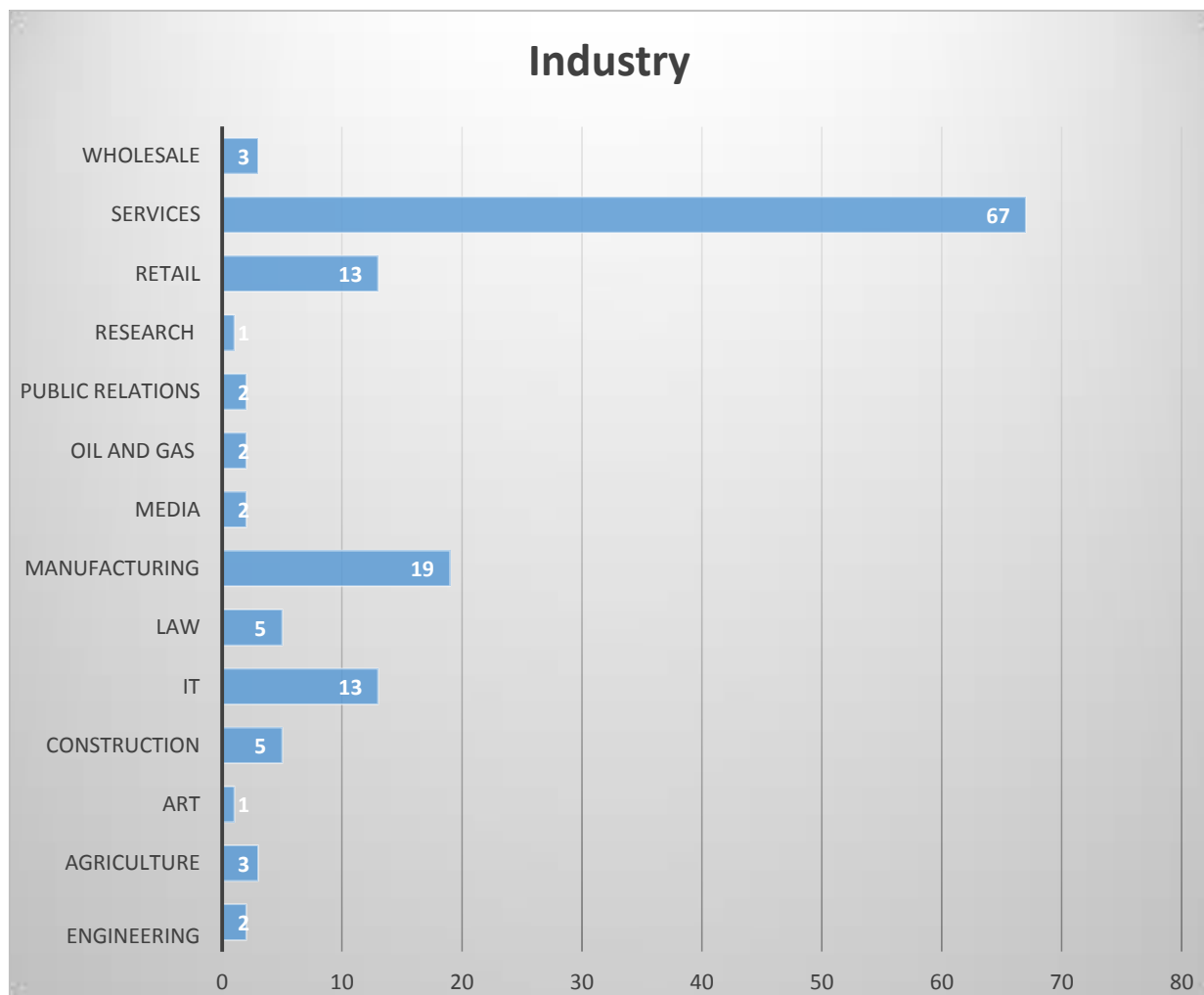


Figure 10 – Company breakdown by industry

The case study companies encompass a wide variety of industries as well. Each major industry is represented by one company. The multi-industry approach was used to gain greater insights and understanding as to the industry-specific features affecting the relationship between a firm's CSR strategy and its core business. I have tried to make industries contained in the case studies representative of the overall pool of industries featured in the commitment bank.

Having sufficiently extended the data provided in the BSAG commitment bank, I moved on to the phase of assessing each commitment in the light of stated company strategy and core business, whereupon I availed myself greatly of various sources of information, including annual reports, company websites, and other printed material. I kept my sight set on private firms, as, presumptively, greater insights were expected to be gleaned from the analysis of the nexus between their core business operations and the commitments. Therefore, heedless of the fact that the created database consisted of public

and third-sector organizations, my focus and analysis was primarily placed on private firms. There were over 150 private firm initiatives analysed, throughout which I afforded special attention to the link between the companies' core business and commitments and the level of innovativeness associated with each commitment. Based on this analysis, I grouped the organizations for further analysis and chose a total of 9 organizations to be interviewed. Each organization was perceived to have a varying degree of linkage between its commitment and core business operations and/or innovations (See Figure 11). For instance, whereas the commitments by Pöyry, Biovacka and VSA Vilnius were perceived to have relatively higher rate of innovativeness and linkage with their core business competences, the likes of SEB and Tallink Group ranked low both in terms of innovativeness and the nexus of the commitments with their core business.

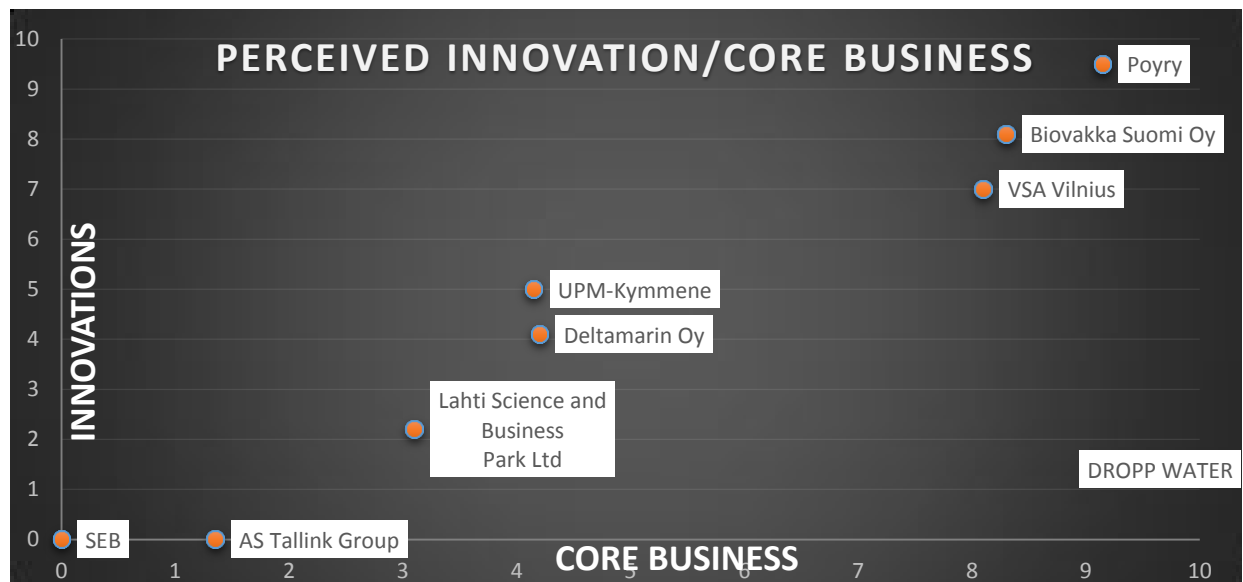


Figure 11. Showing the perceived values of relationship between each commitment and core business and innovations respectively.

3.5 Interviewing

This study has greatly availed of information gathered through interviews with nine different organizations. The interviews were semi-structured in nature and provided

opportunities for both interviewer and interviewee to discuss a series of issues with greater detail. Corbetta (2003) has defined some of the most essential characteristics of semi-structured interviews as follows:

- The wording and order of the questions are used in line with the interviewer's consideration and preferences
- The interviewer maintains freedom to conduct interview as he finds it best fit in the given context. Likewise, the interviewer can (re)formulate questions at his own discretion and can ask the interviewee for clarification should such need arise.

The interviewees were approached via e-mail and were asked of their interest in participating in the interview. As it is customary with semi-structured interviews, a list with questions was sent to the interviewees prior to the interview enabling them to acquaint themselves with the general topic of the discussion in advance. Some of the interviewees had had previous exposure to or awareness about the research being conducted at Aalto University School of Business, as they, had been apparently approached before by other researchers from the university. Previous awareness and exposure facilitated the procedural arrangements resulting in a quick and easy scheduling of the interviews.

On average each interview was scheduled to take about one hour, and all nine interviews were carried out within a time span of four weeks during months of December-January 2015. During the interview respondents were encouraged to reflect their individual perspectives and narrate their stories related to the issues involved. Whenever it was deemed necessary new questions and topics were introduced to help elucidate some of the points raised by the interviewees in the process. Following up on interesting and unexpected avenues that emerge throughout interviews (Blandford, 2013), is inseparable as well as one of the most enriching aspects of semi-structured interviews. The majority of the interviews were conducted at the companies' premises, whereas, some interviews, particularly those with non-Finnish organizations, were carried out through SKYPE. All interviews were digitally recorded, stored and transcribed. **Table 1** below provides a list of companies and the positions of the representatives of these companies whom I interviewed, as well as the dates at which the interviews were held.

Company	Position of the Interviewee	Date	Duration	Name
LADEC	Business Development Manager	17.11.2015	60 min	Interviewee №1
Biovakka Oy	<i>Development Manager</i>	19.11.2015	70 min	Interviewee №2
UPM Kymmene	<i>Director of Ecolabels and Reporting</i>	23.11.2015	50 min	Interviewee №3
Deltamarin Oy	<i>Head of R&D</i>	25.11.2015	60 min	Interviewee №4
Pöyry Plc	Business Unit President of Environmental Consulting	27.11.2015	60 min	Interviewee №5
Dropp Water	<i>Founder</i>	07.12.2015	45 min	Interviewee №6
SEB	Client Associate at Merchant Banking	18.12.2015	75 min.	Interviewee №7
AS Tallink Grupp	<i>Director of Communications</i>	30.11.2015	55 min	Interviewee №8
UAB „VSA Vilnius“	General Manager	07.12.2015	50 min	Interviewee №9

Table 1: Information regarding the conducted interviews

3.6 Secondary data

Information collected through interviews has been greatly complemented by a host of secondary resources including annual reports, CSR reports, company websites, brochures, and other materials. The used materials were accessed mostly in digital form, however, I have, in the course of my work, greatly availed of printed materials as well. The primary objective of dwelling upon secondary data was to validate, complement, or verify the findings from the interviews.

The use of secondary data has greatly facilitated my understanding of the specificities of the context in which the analysed commitments occurred as well as provided essential background information of the companies participating in the BSAG initiative. The perusal of annual and CSR reports helped generate insights regarding the

general environmental perspective employed by given organizations and provided the opportunity to measure their Baltic Sea related environmental initiatives against the general environmental framework and CSR strategy. *Table 2* displaying the list of secondary data sources used in the research can be viewed below.

Company	Annual Report	CSR Report	Website	Brochures	Other Materials
LADEC	+	-	+	+	+
Biovakka Oy	+	+	+	+	+
UPM Kymmene	+	+	+	+	+
Deltamarin Oy	-	-	+	+	-
Pöyry Plc	+	+	+	+	+
Dropp Water	-	-	+	-	-
SEB	+	+	+	+	+
AS Tallink Grupp	+	+	+	+	+
UAB „VSA Vilnius“	-	-	+	-	+

Table 2 – A list of materials accessed and used in the course of the study

3.7 Analysis and interpretation

To analyse my data I have relied on guidelines proposed by Miles et. al. (1994) and Pope et.al.. (2000). Prior to embarking on my analysis, I have fully transcribed the interviews and collected all the supplementary material necessary for carrying out my project. Among other things, I have gone to great lengths to present the lengthy and multifarious text dispersed over many pages in interpretable and accessible a form. Simple tools - *Matrices and Networks* - developed by Miles et. al., (1994) have helped me display and analyse the data in an easy and convenient way. “The matrix”, has been defined by Miles at. al., (1994) as a “tabular format that collects and arranges data for easy viewing in one place, permits detailed analysis, and sets the stage for later cross-case analysis with other comparable cases or sites”. I found the idea of matrix most amenable to conducting a

multiple-case analysis for it allows to gather main themes and subjects in one visually accessibly and simple format for further cross-checking and comparisons. Networks, on the other hand, have helped display complex relationships between various themes and categories and “recreate the plot of events over time”. On the whole, both matrices and networks, have greatly helped display the lengthy pieces of information in an accessible format, and have, through their complementarity, facilitated my analysis and interpretation of the data in a very convenient way.

The framework developed by Pope et al. (2000), although in part similar to that suggested by Miles et al. (1994), has been helpful in terms of identifying and preparing each step of my data analysis. Pope et al. (2000) defined five major stages of quantitative data analysis as follows:

1. *Familiarisation*

During this stage I perused all the available materials with much care and rigour.

2. *Identifying a thematic framework*

After having immersed myself in the raw data, I began to identify key themes, notions, and categories. In doing so, I primarily dwelled upon my research questions and general objectives of my study. The end-result of this phase was to come up with “a detailed index of the data, which labels the data into manageable chunks for subsequent retrieval and exploration” (Pope et. al., 2000: 116).

3. *Indexing*

During the indexing stage, I assigned numerical codes to available transcripts and jotted down short descriptions for each indexed section.

4. *Charting*

Thereafter, I started to reorganize the data in terms of thematic framework to which it pertained. In charts I wrote down key findings and summaries for further reference and analysis.

5. *Mapping and interpretation*

At last, I tried to define concepts and issues more clearly and map out inter-connections and associations between key themes and notions. Mapping out associations and thematic linkages has helped me better interpret the data and explain the findings.

3.8 Reliability and validity of the study

This section briefly describes the set of actions taken to ensure the reliability and validity of the study. The following four tests are generally considered when conducting a case study research – construct validity, internal validity, external validity and reliability (Neuman, 1997; Yin 2003). I will touch upon each of the four tests as it pertains to my study below in brief.

Construct Validity is concerned with establishing correct operational measures for the examined concepts. Its main function is to “minimize subjectivity by linking data collection questions and measures to research questions and propositions (Rowley, 2002). The use of multiple resources has helped attain the construct validity. The multitude of materials and data sources has provided the possibility to understand the concepts, constructs and context in a more substantial way. The interviews have helped explore the issues to a degree unafforded by the mere scrutiny of textual material.

Internal validity was omitted from consideration as it is mainly utilized in explanatory or causal studies. As my study does not dwell upon causalities in any substantial form, it was deemed largely redundant and irrelevant to the purposes of the study.

External validity largely deals with the issue of generalization or generalizability. Being fully cognizant of the problem of generalizability and extrapolability of the findings contained in the case studies, I have gone to great lengths to carefully set the boundaries and domains to which the findings and observations could be generalized. It is worthy of note, however, that I may have resorted to generalizations of my findings in the context of broader theoretical framework that I had heretofore designed and to the extent which the scope of my study permitted. “The case studies”, argued Bent Flyvbjerg, “is ideal for generalizing using the type of test that Karl Popper called ‘falsification’” (2013). The falsifiability or verifiability dimension of case studies, generated by the virtue of their in-depth and explorational character, is amenable to making viable summarizations, conclusions and generalizations and, above all, can be enlarged upon by other researchers.

Reliability involves the principle of replicability of the research results and implies efforts to reduce error and bias in the studies (Zalan and Lewis, 2004). Relevant record keeping and systematic documentation are thought to be conducive to attaining the

reliability (Rowley, 2002). Acting upon the presupposition that systematic documentation is needed to ensure the reliability of the study, I went to great lengths to register all the major stages of my work. An exhaustive database of the companies participating in the Baltic Sea initiative was extracted from the BSAG commitment bank and further developed to facilitate access to the information by other researchers or interested parties. Interviews were digitally recorded, transcribed, and stored, and accompanied by a series of personal notes, so as to enable later use and verification of the information. Moreover, by utilizing multiple case studies in my research I have endeavoured to increase confidence in the findings and improve the general reliability of my study (Miles and Huberman, 1994).

3.9 Study Limitations

The present study is not completely free of the limitations which various extraneous factors naturally have imposed on it. I only hope that these limitations will be afforded more attention in the future by other researchers and will be mitigated by means of extended consideration, verification, and scrutiny. Some of the limitations to which this study yields will be succinctly presented below, in the hope that they will and can be rectified in the course of time.

3.9.1 Size and scale

Although a great deal of efforts have been made to conduct as many interviews as possible and gather as much supporting material as was feasible provided the circumstances, it can still hardly be negated that the study is far from being exhaustive and/or satisfactorily extensive. The study would have greatly availed of conducting interviews with various managerial and non-managerial employees within the same company, however, considering the number of interviewed companies, that would have been scarcely attainable considering the restraints imposed by the dearth of resources. As in some cases the time elapsed between the commitment period and the interviews was quite considerable resulting in distortions or difficulties in remembering things past, the quality of the findings may have naturally suffered. The lapse of time has also negatively affected the findings in the following way. Due to the transpired organizational changes it was not

always possible to get hold of the right people who during the commitment period were in close association with the BSAG and were thereby in better position to know all things concerning the commitment and its implementation.

3.9.2 Time

Investigating things pertaining to the past always comes at the expense of understanding that in the course of time perceptions, memory, and mental imagery of individuals are all greatly altered. This alteration often leads to the loss of information that may have greatly enriched our understanding as to the events and issues involved. The gaps in information are often filled by interviewees with the help of speculations and conjectures. In my own study, whenever such problems were considered to be pungent or likely, I attempted to verify information provided by the interviewees by means of extensive reference to secondary sources of data and consistency checks. All these attempts, however effective they may have been, could have only mitigated, but by no means, erased the limitations that time forces upon the study of which retrospection is the inseparable part.

3.9.3 Language

The language of interviews was English, whereas all of the interviewees were non-native English speakers and the fluency with which they spoke the language greatly varied. And although the level of English did not represent an insurmountable obstacle to the interviews it may have had its toll on the structure and formulation of the sentences, thereby, leading to the obfuscation of the real meanings behind them. Whenever the clarity of the ideas or sentences was at stake due to various language-related issues, I went to great lengths to carefully examine them and give follow-up questions to the interviews in an attempt to extract more accurate and lucid information from them

4 Empirical findings, analysis and discussion

In this chapter I will first briefly review the nine main cases separately before proceeding to the comparative part, throughout which, I will put together all the main findings and draw conclusions on the basis of the observations made in the course of the case analyses.

4.1 Presentation of Cases

In this particular section I will endeavor to briefly analyze the findings of the nine interviewed companies, of which seven are from Finland, one from Estonia, and the remaining one from Lithuania. All of the nine firms, have been selected on account of their active participation in the BSAG commitment framework. Throughout the collaboration with the Baltic Sea Action Group, each firm has pledged to take actions in an attempt to reduce or ease the adverse effects imposed upon the Baltic Sea. Basic information regarding the companies featuring in the case studies can be seen in Table 3.

Each case description will serve the purpose of laying out the background information of the firms, shedding light on their environmental initiatives especially in the context of Baltic Sea, and exploring the nexus between the commitments and CSR. Although each case will be presented separately, the concluding chapter will take a comparative, analytical and synthesizing approach, whereby the efforts will be made not only to understand the idiosyncrasies of individual case, but also to build up a larger epistemic framework, from which lessons could be extracted and through which light could be cast upon an array of issues that play an instrumental role in our understanding of the reasons that prompt firms to partake in environmental initiatives.

Company	Country	Industry	Revenue in millions of EUR
LADEC	Finland	<i>Public policy</i>	N/A
Biovakka Oy	<i>Finland</i>	<i>Water treatment and disposal</i>	8.3 (2013)
UPM Kymmene	<i>Finland</i>	<i>Paper, pulp and timber</i>	10100.00 (2015)
Deltamarin Oy	<i>Finland</i>	<i>Marine engineering</i>	35.156 (2015)
Pöyry Plc	<i>Finland</i>	<i>Consulting and engineering</i>	575.00 (2015)

Dropp Water	<i>Finland</i>	<i>Bottled water wholesale</i>	N/A
SEB	<i>Finland</i>	<i>Financial services</i>	4589.00 (2015)
AS Tallink Grupp	<i>Estonia</i>	<i>Shipping</i>	945.00 (2015)
UAB „VSA Vilnius“	<i>Lithuania</i>	<i>Waste collection and disposal</i>	N/A

Table 3: Basic company information

4.1.1 UPM Kymmene

UPM Kymmene is a Finnish corporation whose chief business activities pertain to bio and forest industries. With its manufacturing facilities in thirteen countries, UPM serves its customers across six business areas. Although pulp, timber and biofuel represent the lion's share of its total revenues totaling 10.1 billion in 2015, UPM has been continuously expanding its operations in low-emission energy generation and has been steadily deepening its capabilities in manufacturing self-adhesive label materials, and veneer and plywood products.

UMP's involvement with the Baltic Sea Action Group dates back to 2010, whereupon UPM initiated a research program on using biochar mixed soil in filtering impurities from water running from agricultural lands to the Baltic Sea. Considering the absence of previous scientific research in this field, UPM's initiative was, by all means, novel as well as quite challenging. The second initiative, concerning the Revision of Restricted Chemical Substance List, was launched in 2013. The chief objective of this commitment was to identify and eliminate hazardous substances that pose a significant risk to the ecological balance of the Baltic Sea.

These two initiatives that were carried out in collaboration with BSAG further bear witness to UPM's commitment to creating and fostering sustainable future. The respondent from UPM (Interviewee №3) very laboriously emphasized the importance of CSR to the business culture at UPM.

“Environmental responsibility is part of our DNA. We, at UPM, don’t consider environment to be an extension to our business operations, but we believe it is an integral part of who we are.” (p. 2)

UPM’s determination to mold bio and forest industries into responsible and innovation-driven activities, is an indelible testament to the fact that UPM does not confine itself to traditional philanthropic acts, but instead goes to great lengths to integrate CSR into its strategy, whilst concomitantly striving to create innovative practices, upon which the soil of sustainable future can be built and nourished. If we were to place UPM in the context of CSR paradigm offered by Halme and Laurila (2008), we would most likely be compelled, by riveting our attention on UPM’s Baltic Sea commitments as well as their general CSR practices, to maintain that UPM combines fine elements of both CR integration and CR innovation. “CSR is an integral part of our supply chain, operations as well as our business ethics” – maintained Interviewee №3, Director of Ecolabels and Reporting at UPM Kymmene.

Insofar as UPM’s CSR strategy aims at protecting nature and providing smart and sustainable products and solutions, no doubt can be cast upon the alignment between UPM’s CSR strategy and its Baltic Sea commitments. In trying to explain the nexus between the Baltic Sea commitments and UPM’s business activities, Interviewee №3 labored the point that the commitments contributed to the increased competitiveness of UPM’s operations. The initiative concerning the “Revision of Restricted Chemical Substance List”, for instance, ensured that a list of hazardous chemicals or heavy metals that are harmful to health, would no longer be used in production of pulp, paper and plywood products, hence guaranteeing the highest standards of safety to stakeholders. By ensuring non-toxicity of products, UPM significantly reduced the possible adverse effects on environment, thereby boosting sustainability of its products, and by virtue of it increasing competitiveness.

In summation, it can be ascertained with reference to UPM’s Baltic Sea commitments, that CSR is not merely an add-on activity for UPM, but rather a larger mechanism that is intricately embedded into the company’s core business, and by which the company reinforces its business practices and operation, whilst in the process fostering quality of life and prosperity of every stakeholder affected directly or indirectly by its business activities.

4.1.2 Dropp Water

Dropp Water is by all accounts a unique organization. Its irrefutable uniqueness consists in full-fledged dedication to saving the Baltic Sea by donating all of its profits to the efforts aimed at rehabilitating the sea. The company has had an interesting history of collaborating with various NGOs and environmental agencies, whose chief interests consisted in protecting the Baltic Sea ecosystem. In 2014, Dropp Water formed close ties with the Baltic Sea Action Group, and committed itself to saving the Baltic Sea “drop by drop”.

Dropp Water, as its name suggests, is a supplier of bottled water. Natural purified spring water is bottled in South Ostrobothnia, and does not contain any flavoring or additives. The company sells its bottled water through a host of stores and distributorship chains. Spurred by ambitious objectives to continually grow and increase market share, Dropp Water envisages the steady growth in its donations to the BASG. This full dedication to the noble cause would not have been possible by a private enterprise, whose primary goal is traditionally thought to be profit maximization, had it not been sustained by good disposition and a commendable degree of environmental stewardship displayed by Interviewee №6 and a handful of her like-minded colleagues.

Having had the opportunity to interview Interviewee №6 about Dropp Water’s involvement in the Baltic Sea Action Group work, there were a series of observations and conclusions that I’ve arrived at. Dropp Water flies in the face of the conventional assumption that CSR largely pertains to relatively large size organizations. It also defies the commonly held notion that CSR lies beyond the domain of primary business objectives and interests. Dropp Water also wreaks havoc on the well-established idea that private enterprises are, above all, guided by profit-making considerations. In the case of Dropp Water, it becomes instantly evident, that profit-making is subdued by or subjected to the higher goal - restoring the health of the Baltic Sea’s unique marine ecosystem. This is not to suggest that profit-making becomes either irrelevant or insignificant, but instead to signify the sheer potential power and effectiveness produced by intertwining profit-making with the idea of sustainability. In spite of the lack of clearly defined CSR strategy, which is hardly surprising considering the size of the company, Dropp Water’s whole *modus*

operandi is irrevocably tied with the environmental awareness and desire to support sustainable business practices and operations.

Due to the overwhelming rarity of such enterprises, it is inexplicably difficult either to apply standard CSR paradigms to Dropp Water, or to explain its activities in the context of CSR frameworks which were extensively covered throughout the literature review. Upon hearing Interviewee №6 say “Our work is not done in pursuit of monetary gain. Our efforts are driven by our enthusiasm and devotion to the interests of the Baltic Sea” (8) – one may feel the urge to question some of the underlying assumptions or misconceptions that heavily permeate our understanding of the functions of private enterprises as well as the causes and reasons which prompt these enterprises to partake of environmental initiatives. It may be that Dropp Water’s donations, allegedly set at 35000.00 EUR for 2015, are not very considerable *per se*, but the fact that we are urged to reconsider our assumptions regarding CSR and reexamine our understanding concerning the nature of relationship between private business interests and those of the whole society, by all measures exceeds all financial considerations.

4.1.3. Pöyry

Pöyry is a Finnish consulting and engineering company headquartered in Vantaa, Finland. Having offices and operations in more than 45 countries, Pöyry serves its global customers across the energy, environmental and infrastructure sectors. For each industrial sector it has a very extensive and versatile product and service offering. Considering its strong presence in the environmental sector, perhaps it is hardly surprising to observe the seriousness with which CSR is treated at Pöyry.

Pöyry’s engagement and cooperation with the Baltic Sea Action Group started in 2009, whereupon Pöyry pledged itself to carry out the OXY program. The program was designed to reduce internal nutrient loading in the Gulf of Finland by means of artificial oxygenation. The OXY project, having lasted two years, included the identification of the suitable areas for artificial oxygenation by application of approbated methods employed widely in the inland lakes of Finland and the Pojo Bay, constant evaluation of the produced benefits, planning of the implementation, and securing funding mechanisms for implementation of the selected project.

Pöyry's motivation to dedicate itself to the cause of maintaining the ecologically acceptable conditions in the Baltic Sea could be attributed to its presence and operations in the Baltic Sea region. Interviewee №5, Business Unit President of Environmental Consulting at Pöyry discussing the company's involvement with the BSAG, maintained the following:

“We realized that we knew Baltic Sea region very well, we had lots of competences and know-how about the Baltic Sea, so we decided that we could provide support to BSAG.
” (p.10)

The Baltic Sea commitment (i.e. the OXY project), was a natural extension to Pöyry's strategic objective of developing concepts and/or models for exerting positive impact on the environment. In view of Interviewee №5's assertion that Pöyry's environmental responsibility is best reflected in its continuous efforts to help customers build sustainable business, one may justifiably posit that the OXY project was also part and parcel of the philosophy of creating and fostering sustainability of the customers' business practices and operations. Pöyry's resolution to seek for solutions for curtailing the malignant effects and/or reversing the process of eutrophication and algae bloom by means of artificial oxygenation of the coastal waters of the Baltic Sea, sheds lights on the strong linkage between CSR and sustainability.

The OXY project is a good example of CR integration, of which we treated in the section concerning the literature review. Not only was the project designed to improve environmental and social performance of Pöyry's existing operations, but it also took on a long-term perspective by endeavoring to create sustainable and healthy future, of which Pöyry as well as a multitude of other stakeholders could equally avail. Although it is usually hard to measure the actual effects of such a long-term oriented initiative, we ought not to be tempted to take its importance lightly.

4.1.4. Skandinaviska Enskilda Banken AB

Skandinaviska Enskilda Banken, abbreviated as SEB, is a Swedish financial group, headquartered in Stockholm, Sweden. Through its banking services, SEB provides financial advice to corporate customers, institutions, as well as private individuals primarily in the Nordic and Baltic states, however, its corporate and investment banking services are stretched out to other geographical locations.

SEB's association with the Baltic Sea Action Group can be traced back to the year 2011, whereupon SEB decided to provide financial donations to the BSAG. The donations were chiefly intended to cover administrative costs incurred throughout the process of running various BSAG activities. Apart from these financial measures, SEB ventured to provide free consulting services in an attempt to help the BSAG fulfil its actual commitments and strive towards the creation of new initiatives aimed at ameliorating the state of the Baltic Sea. SEB rendered its premises available for holding various BSAG related activities and went to great lengths to enable the BSAG's access to its extensive list of customer contacts.

The decision to commit its resources to the Baltic Sea initiative could be well explained in the light of the Green Bond concept that SEB had developed together with the World Bank. The Green Bond is an investment vehicle for environmentally sustainable investments. The concept was borne out of the burgeoning demand for climate-related opportunities on the part of SEB's investors. By combining the fiduciary component of fixed income products with environmental awareness, the Green Bond aims at creating investment opportunities in sustainable initiatives, products and technologies.

Although an explanation of the nascence of SEB's Baltic Sea initiative could be attempted in the context of the Green Bond concept and SEB's dedication to creating sustainable future, it is hard to speculate as to why this initiative, throughout its 3-year of existence, remained in an inchoate form, never fully taking the initiative to the extent which the Green Bond concept would allow or presuppose. It is too regrettable that SEB's engagement with the BSAG never saw the full light of bustling opportunities, which other investors could avail themselves of, or around which a platform for uniting various stakeholders could be created. Though it is not within the purview of this study to seek for reasons that could explain why the Green Bond concept was not fully applied to SEB's BSAG initiative, it may very well be a subject worthy of consideration for other

researchers. Speaking on the subject, Interviewee №7, Client Associate at SEB Merchant Banking, imparted the following information:

“Our country manager tried to assess whether any similar concept, let’s say Baltic Sea Green Bond, could be established. That would have been a very core thing for us to contribute to. But, in the end, this idea was considered undoable. SEB has a large network in Finland with a lot of key stakeholders. And, eventually, our country manager and BSAG representatives decided upon the financial donation to the operations of BSAG.” (p. 13)

The reasons as to why philanthropy was considered the only optimal decision, and on what account was the idea of Baltic Sea Green Bond heeded infeasible, was not enlarged upon. And as there are scarcely any indefinite philanthropic commitments, SEB terminated its donations in 2014, on account of, as adduced by Interviewee №7, SEB’s corporate decision to refocus its CSR activities on new domains of sponsoring youth, entrepreneurship and education.

Discussing motivations behind the SEB’s involvement in this philanthropic enterprise, she maintained somewhat straightforwardly and candidly, that SEB’s involvement was undergirded by its eagerness and/or determination to appear as good corporate citizen before the public. Infatuation of a firm’s philanthropy with its penchant for being apprehended as good corporate citizen, if indulging in such language be permitted, is one of the hallmarks of philanthropy, and as such is a very recurring theme, to which SEB bears additional witness.

The last remark that could be made with regard to the SEB’s philanthropic acts appertaining to the BSAG, is that they have earmarks of the Peripheral Philanthropy (Bruch and Walter, 2005). In the chapter dedicated to reviewing the literature on philanthropy, I, referring to a large corpus of academic research, defined Peripheral Philanthropy as an act that displays a high degree of responsiveness to external market pressures, needs and expectations but is largely devoid of focus on an organization’s core business. Of the three major pillars of SEB’s CSR strategy - Responsible Business, People and Community, and Environment – none remained outside of the purview of SEB’s commitment. However, arguably, the commitment, lying on the outskirts of the company’s core business, had a varying effect on each of the three pillars.

4.1.5. UAB „VSA Vilnius“

VSA Vilnius is a provider of waste management services in Vilnius, the capital of Lithuania. The continuous drive toward improving environmental protection and occupational safety and health management systems is evidenced by a host of international quality certifications that the company possesses as well as by its participation in a variety of environmental programs and initiatives.

The company's engagement with the Baltic Sea Action Group started in 2010. The commitment centered on implementing waste collection and management services. The commitment involved the installation of semi-underground containers in the city of Vilnius nearby the river Neris, attempting, thereby, to reduce the Baltic Sea pollution stemming from the disposal of waste into the sea. Additionally, an awareness raising campaign - "Let's make order" - was organized in close collaboration with the city municipality to propel the expansion of the socio-environmental activities to the Baltic Sea coast in Klaipėda and Palanga. The commitment lasted until the year 2012, and was followed, almost after an year, by another similar commitment. The new commitment too focused on improving the waste management services in Vilnius, by installing containers for the collection of recyclables for private households. This included the installation of hazardous waste segregation and disposal units in Vilnius for up to 1800 households. This commitment, much akin to the previous one, aimed to curtail the magnitude of nutrient loads to the Baltic Sea and increase public awareness about the problems related to the Baltic Sea ecosystem.

The two commitments revealed the nexus between VSA Vilnius' core business and its respective initiatives aimed at reducing the negative environmental impact on the Baltic Sea ecosystem by means of improving waste management systems. Commenting on the subject of connexion between their core business and the two commitments, Interviewee №9 of VSA Vilnius, maintained the following:

“We work in the field of waste water management. So, they {the commitments} were connected to our activities directly. The problems related to Baltic Sea are very important, because it influences our life. So, we thought that the commitments were very important to us, and to Lithuania.” (p.18)

Both initiatives discussed above combine the elements of CR integration as well CR innovation. Apropos of the CR integration, it can be said that both commitments betokened the company's earnestness in conducting its existing business operations in a more responsible way. Whereas, the CR innovation dimension of the commitments, could be suggested by VSA Vilnius' novel approach to treating waste management system in the city. Interviewee №9, discoursing on the topic, strongly advocated the position that both commitments incorporated innovative elements:

“Our organizations commitment was connected to the innovative processes. In our country, what we did was perceived as something unique and innovative... At least, so was it regarded by many of our partners in Lithuania.” (p.20)

One last remark that is worth making on the subject is that the commitments incorporating either CR integration or CR innovation dimensions, strive toward, and often attain, greater continuity. If the effects of philanthropic acts are usually palpable only for brief periods, those stemming from CR integration and CR innovation, are more likely to yield or seek for long-lasting results. Perhaps, it is in the light of this observation that Interviewee №9's justified discontent over the absence of continuity of the BSAG commitments and/or cooperation could be well explained⁶.

4.1.6. Deltamarin Oy

Deltamarin is a Finnish consulting, engineering and design firm specialized in ship design, offshore engineering, and floating construction. Headquartered in Turku, Finland, the firm operates globally by offering its consulting and engineering services in shipbuilding to a wide variety of customers and has successfully completed over 5000 complex marine and offshore projects worldwide. Deltamarin operates as a subsidiary of AVIC International Maritime Holdings Limited that has its shares listed on Singapore Stock Exchange, and which in turn is part of the Chinese AVIC Group - a Fortune Global 500 company.

In 2010. Deltamarin ventured an initiative, in association with the BSAG, intended for creating a tool that could provide a basis for calculating port and waterway fees in a

⁶ The last commitment was finalized on March 15, 2013

way most conducive to creating sustainable shipping technologies. The intended outcome of the initiative was to minimize the negative environmental impact produced by sea vehicles. The Baltic Region Environmental Efficiency Design Index (BREEDI) was developed by Deltamarin in an attempt to create an effective region specific index for the Baltic Sea region. The main advantages of this index were conceived to be its ability to account for various specificities such as short sea shipping, frequent port calls, operations in archipelago, seasonal ice cover, use of icebreaker assistance, and vulnerabilities of the environment.

Upon discussing CSR in the context of Deltamarin's operations, Interviewee №4, Head of R&D at Deltamarin, stressed its importance.

“Our company strategy is pretty much built on CSR, I would say. In other words, our strategy is to provide environmental friendly solutions. Everything that we offer as a business is based on our CSR commitment, or policy, if you will, to conduct responsible business and to create a positive impact on the environment.” (p. 23)

Deltamarin's main competences in shipbuilding are built around creating energy efficient, green and safe ship designs and solutions, whereas most of its operations are conducted outside of the Baltic sea region. In view of this, it is hard to establish whether its Baltic Sea commitment was done merely out of philanthropic considerations, as Interviewee №4 maintained throughout the interview. That the initiative irrefutably had an environmental dimension is hard to negate. As the initiative clearly sought to establish mechanisms for conducting various marine activities in a more responsible and efficacious way, its CR integration dimension becomes apparent. If the view of the initiative's disconnectedness from the firm's core business is to be advocated merely on the grounds that it lies outside of the firm's geographical scope, one may venture a challenge against the view by positing a possibility of adapting the measures to the geographical locations in which Deltamarin conducts its operations. In other words, the alleged problem of disconnectedness could be alleviated by Deltamarin adapting its Environmental Efficiency Design Index to other regions in which it operates. By so doing, its undertaking could scarcely qualify as lying outside of the firm's core business.

Whether this initiative had all the makings of philanthropy, as asserted by Interviewee №4, is open to serious discussion. For her, it appears, a philanthropic act is

tantamount to an undertaking from which no direct benefits are expected and whose geographic scope lies outside of a firm's routine operational boundaries.

“Target group for this commitment was Finland, but our business targets are mostly located outside of Finland. So, our commitment can be regarded as a philanthropic act, where we did not expect or anticipate any direct business benefits.” (p.24)

Although it may be sensible to maintain that no direct financial benefits could be or were expected to be obtained from the BREEDI, it is equally sensible to ascertain the possibility of accruing non-financial benefits. At any rate, Deltamarin case is particularly interesting in one respect, namely that it is inherently difficult to classify it in terms of the CR paradigms which have been heretofore treated.

4.1.7. AS Tallink Grupp

Tallink is an Estonian provider of mini-cruise and passenger transport services. With its modern fleet of 16 vessels, the company is able to offer versatile cruising services to its customers in the Baltic Sea region. The cruise routes connect various cities located in the Baltic Sea region. The Tallink's cruise ferries, fast ferries, and cargo vessels served almost 9 million passengers in the year 2015 – the year in which the company's sales reached an all-time high of 945 million Euros.

Having its operations confined to the boundaries of the Baltic Sea, AS Tallink Grupp has been involved in a variety of projects which aim to ameliorate the state of the sea. In 2009, Tallink, partnering with the BSAG, pledged to establish the Tallink Volunteer Club. The mission of the club was to educate the employees about the significance of environmental protection and raise their awareness about the risks of pollution. The chief objective was to support Estonian sea rescue forces and voluntary groups by increasing the readiness to act in the event of a potential oil leakage in the Estonian or Baltic Sea coastal areas. The volunteer club members were trained to assist the rescue forces during large scale oil leaks that pose a grave threat to Estonia's coastal waters and shores. Tallink procured necessary equipment for the club as well as covered all the expenses incurred in the process of running the initiative.

Club activities were centered on Finland and Estonia due to the lion's share of traffic and business activities falling on these two countries. Reflecting on the company's commitment, Interviewee №8, Director of Communications at AS Tallink Grupp, explained as to why such a format was chosen for the commitment:

“We had had already many working relationships with various environmental initiatives. Most importantly with WWF Finland. For these initiatives, we mainly provided sponsorships, so it was philanthropy, kind of. So, we did not see sponsoring BSAG initiative as something new, or special. So, I thought that there should be something new that we could do. We wanted to engage our employees, and make them more involved in the process.” (p.27)

By engaging employees and training them, Tallink attempted to integrate responsibility in its core business operations, and hence distance itself from mere philanthropy. In other words, they have done, what Laurila and Halme (2008) refer to as “applying environmentally benign practices and policies”. Training programs are usually effective tools for inculcating in employees a greater sense of responsibility and awareness about various important environmental issues. Their effects are commonly temporally extended well beyond the time span of a given project. Apropos of the expected benefits, Tallink's main concern rested upon its desire to bolster corporate reputation, as it was asseverated by Interviewee №8.

“We are very visible around the Baltic Sea, since our ships are sailing in this sea. Our employees, partners and passengers are all looking at us, to see what we are doing to protect Baltic Sea.” (p.27)

As regards the commitment and the firm's core business operations, it would scarcely escape anyone's grasp that the two things were demonstrably well aligned. That it is within the remit of Tallink's core business to offer reliable and environmentally friendly shipping services in the Baltic Sea, can easily be gleaned by merely looking into the company's CSR and core business operations. Henceforth, the BSAG commitment was fully complementary to and/or the natural extension of the firm's core business. In summation, the commitment of AS Tallink Grupp is demonstrative of a CR-integration typology, whereby a firm's preoccupation with conducting its operations responsibly takes precedence over, but does not necessarily erase, its proclivity to seek for new business opportunities or new business models for solving existing environmental problems.

Tallink's training programs were designed to increase awareness among employees as to the benefits and importance of conducting business in responsible and eco-friendly a manner. Among the expected benefits of the Tallink Grupp's Baltic Sea commitment one could count improvement in corporate image as well as risk reduction. Despite the finite duration of the commitment, the effects of integrating the responsibility considerations into the business operations of the firm, will very likely last longer than the commitment itself and become manifest in a variety of new forms.

4.1.8. Biovakka Suomi Oy

Biovakka is a Finnish company specialized in the provision of biodegradable waste processing services for agricultural, industrial and communal sectors. Biovakka converts raw materials such as food industry and refinery sludge, various types of bio-waste, and manure into fertilizers, energy, heat, compost raw materials and biogas. Having been founded over a decade ago, the firm has been continuously expanding its operations and services, by developing the infrastructure capable of processing biodegradable waste. Biovakka currently operates two biogas plants in Vehmaa and Turku, both of which are intended for waste processing, nutrient recycling and bioenergy production.

As the sustainable energy production or sustainability in general play an instrumental role in Biovakka's business operations, it is perhaps too natural that the company has demonstrated keen interest in forging relationships with various environmental agencies, whose chief interests lie in advancing some form of environmental cause. In the year 2013, Biovakka, in cooperation with the BSAG, began its program designed to recover nutrients by means of liquid fraction of digestate from anaerobic digestion.

The commitment was developed to create a concept for efficient nutrient recovery from the liquid fraction of digestate – the material remaining after the anaerobic digestion of a biodegradable feedstock occurring in the biogas plants. The developed concept was intended to enable nutrient recovery (P, N, K and trace elements) with over 99% efficiency as well as the production of recycled nutrient products for industrial purposes. The developed concept was meant to provide a solution for sustainable nutrient recycling by

means of transferring excess nutrients for use in a variety of industrial applications, and by virtue of doing so reducing the risk of nutrient leakage to the Baltic Sea.

Discussing the motivation behind the commitment, Interviewee №2, Development Manager at Biovakka Suomi Oy, attributed Biovakka's participation in the project to the firm's great exposure to the effects of nitrogen and phosphorus inputs in the Baltic Sea, and its desire to minimize the negative effects of this exposure.

"We wanted to play our role in easing negative effects of our agricultural activities, we want Baltic Sea to be better. It is so close to us, it affects farmers' activities and therefore it was important for us to get involved in some initiative that was designed to improve these things. " (p. 32)

The commitment very well reflects the company's dedication to advancing environmental causes, particularly those related to the state of the Baltic Sea. Its proximity to and embeddedness into the firm's core business further accentuates Biovakka's adherence to sustainability principles. "I think", maintained Interviewee №2, "we cannot separate CSR issues from our business activities, they are linked very much with one another" (p.32). CSR, one may rightly say, forms the basis for Biovakka's core business operations. In other words, sustainability is the principle that is ingrained in the backbone of the company's culture and strategy. Therefore, CSR can no longer be perceived as a mere extension to the company's operations, but instead, it should be conceived as its part and parcel.

This particular commitment of Biovakka bears all the hallmarks of CR innovation typology, for it meets all the criteria set out in the paradigm offered by Laurila and Halme. In terms of its relationship to core business, the Biovakka's commitment is indicative of the firm's tendency to enlarge core business by means of developing new concepts, hence new competences. Apropos of the target of responsibility, Biovakka's commitment clearly involved new concept and service development, thereby further signifying its fit with CR-innovation typology. And lastly, expected benefit of the commitment was alleviation of social and environmental problem, namely that of nutrient leakage to the Baltic Sea. Biovakka's resolution to solve given environmental problems is intertwined with its pursuit of new business opportunities. Mulling over the Biovakka's treatment of an environmental problem as a source of innovation, Interviewee №2 asserted the following:

“We always observe the environmental problems, and develop our solutions and concepts to mitigate these problems in the outer world. So, I would say, yes, many of our new innovations, are in some ways sparked by external problems.”(p. 34)

It is exactly the simultaneity with which environmental problems are solved by the firm, on the one hand, and revenues are generated for the same firm, on the other, that renders the effects of a CR-innovation driven firm more effective and long-lived, than, say, those of a philanthropy driven firm.

4.1.9 LADEC Oy

LADEC Oy, formerly known as Lahti Science and Business Park Ltd, supports companies operating in the Lahti region by providing them with expertise throughout the entire development cycle. Its services are designed for entrepreneurs, growth-oriented companies, small businesses and companies looking to relocate to the Lahti region. Cleantech and Design represent the cornerstone of the competitiveness of the region and are a driving force for sustainable development of the companies operating in the area. LADEC's main mission consists in bringing together the municipalities and companies in an attempt to foster regional development and growth.

LADEC's cooperation with Russia's Vodokanal and LSBP took place under the aegis of the BSAG initiative and aimed at achieving compliance of the Vodokanal's laboratory in St. Petersburg with the Regulation (EC) No 1907/2006, commonly known by the name of REACH. The commitment focused on the following objectives:

- Development of the water excellency center as the meeting point between the Russian, Finnish and Northern Dimension water experts and water-oriented business enterprises
- Sharing of the best practices and know-how regarding the water industry
- Conducting consultancy work to benchmark the existing state of Vodokanal laboratories and to prepare the implementation plan
- Transferring the EU practices to Vodokanal, St. Petersburg, Russia
- Internationalization of the water business in Russia

- Creating clean and healthy Baltic Sea by minimizing leakage of dangerous chemicals and reducing the general harmfulness of these chemicals to the ecosystem

The initiative only lasted one year, and after its completion in 2011, LADEC's scope of operations has shifted from national to local dimension. The organizational changes occurring in the aftermath of the commitment, including that of name, have been quite profound and have resulted in the LADEC's abandonment of national cleantech program in favour of more locally focused cleantech and industrial design. Whether the completion of the commitment was the result of the premeditated changes in the company's scope of operations, cannot be ascertained, but certainly can be conceived as probable.

Reflecting on the motivation behind the commitment, Interviewee №1, Business Development Manager for Business Region Development at LADEC, identified the issues of reputation and network building as main considerations for partaking in the commitment.

“For us it was a right thing to do. That helped increase our image and reputation. It was good for marketing perspective, and then because of our work with Vodokanal, this was one more way of widening our relationships”. (p. 36)

Although, seeking for reputational improvements is commonly associated with acts of philanthropy, it can be an important consideration for CR-innovation and CR-integration types of companies as well. In the case of LADEC's initiative which is most akin to CR-integration, we are confronted with what has been referred to in foregoing chapters as embedded CSR. Embedded CSR, it was mentioned earlier, requires an organization to dwell upon its unique core business and capabilities when implementing CSR. LADEC's unique environmental capabilities and competences were put their best use throughout the commitment.

As companies like LADEC place special emphasis on environment, so much so that all their efforts and business operations are directed toward advancing some specific environmental cause or are shaped by environmental concerns, it is no longer sensible or appropriate to perceive their CSR as an add-on activity, or as something that the company does, but rather as something that companies is or embodies. The implementation of the training program *The Northern Dimension Water Excellency Centre* and application of environmentally benign practices are additional attestations to the fact that the LADEC's

commitment fits in well with a CR-integration typology. Interestingly one of the expected benefits of the LADEC's initiative, apart from improvements in reputation, was the firm's desire to "internationalize with respect to deepening the presence in Russia". The key learning point here is that companies characterized by CR-integration, may simultaneously endeavor to mitigate environmental ills and pursue other financial and/or non-financial opportunities.

4.2 Case comparisons

Although the commitments represent a multitude of different types of companies, all operating within the confines of specific industrial contexts, they still share some discernible similarities as well as dissimilarities. It is interesting to note that image and reputational improvements are pertinent for all types of CSR, be it CR integration, CR innovation, philanthropy or certain combination of the three. It is therefore right to search for certain dissimilitude not in view of the general expected benefits, but rather in the projected financial outcomes. If SEB, exemplifying philanthropy in our cases studies, was content only with reputational improvements, Pöyry went farther than that in search of potential business opportunities. When a commitment is distanced from a company's core business, it is not altogether easy to set clear-cut business goals and quantifiable objectives. When a company, on the other hand, integrates CSR into its core business practices, it ceases to perceive CSR as lying somewhere outside the precincts of the company's financial targets and objectives. In other words, CSR becomes one more important element in the assessment and evaluation of the company's financial forecasts. One may easily note from **Table 4** that the companies exemplifying CR integration are all concerned about maximizing social performance of existing business operations. Although, this does not commonly lead to the creation of a new business line or product portfolio, it may quite well result in the creation of new processes or new concepts. For instance, in the case of LADEC it was the implementation of the training program of The Nordic Dimension Water Excellency Centre, whereas in the case of Deltamarin, the Environmental Efficiency Design Index – a region specific index for the Baltic Sea- was the outcome of the commitment.

The firms that epitomize CR innovation are occupied with new product or service development. Biovakka, one of the CR innovation type firms covered in the case studies, developed a concept for efficient nutrient recovery and concentration from the digestive liquid fraction originating from the treatment of various organic materials in the biogas plants. The developed concept will provide a solution for sustainable nutrient recycling by enabling transfer of excess nutrients in a concentrated form, e.g. from the areas of intensive animal farming to industrial use, and hence ease the risk of nutrient leakage to the Baltic Sea. VSA Vilnius, on the other hand, developed innovative for the country method for improving household waste separation in Vilnius city region enhancing nutrient load reduction to the Baltic Sea. These innovative methods not only prove successful in terms of alleviating negative strain on the environment but also contribute to the financial sustainability of the companies.

Expected benefits, on the whole, appear very context specific and vary greatly both within the same as well as across different CR types. If image and reputational aspects are pertinent for almost all commitments, only some commitments – namely those of LADEC and Pöyry – emphasized the importance of networking opportunities, whereas employee engagement and ability to influence legislative bodies were prevalent issues for Pöyry and Biovakka respectively. At any rate, it is almost an inescapable impression that whereas many philanthropic commitments are concerned with visibility and reputation solely, CR-integration and CR-innovation types of commitments have commonly more complex and broader expectancies. As regards social enterprises, exemplified by Dropp Water in our case studies, it behoves us to state that the boundaries between the self-interests of the enterprise and interests of the target organization to which it tends to cater become extinct. It is therefore natural that Dropp Water's expected "benefit" is to save the Baltic Sea rather than to pursue any internal, self-centered interests.

Company	Type of CSR	Relationship to Core Business	Expected Benefit	Target of Responsibility
LADEC	CR Integration	Close to existing core business	Image Reputation	Socio-environmental performance of existing business

			Networking	operations
Biovakka	CR Innovation	Enlarging core business or developing new business	Visibility Ability to influence legislation	New product development
UPM	CR Integration	Close to existing core business	Visibility Communicate important messages	Socio-environmental performance of existing business operations
Deltamarin	CR integration/Ph ilanthropy	Close to existing core business	No explicit benefits expected	Socio-environmental performance of existing business operations
Pöyry	CR Integration	Close to existing core business	Networking Search for new opportunities Employee engagement	Socio-environmental performance of existing business operations
VSA Vilnius	CR innovation	Both close to and enlarging existing core business	Image Reputation	New product/service development
SEB	Philanthropy	Outside of firm's core business	Image of Good Corporate Citizen Reputation	Extra Activities
AS Tallink Grupp	CR Integration	Close to existing core business	Internal employee	Socio-environmental performance of existing business

			engagement	operations
			Exposure	
Dropp Water	Social Enterprise	Identical with existing core business	Saving the Baltic Sea	State of the Baltic Sea

Table 4: Comparison of CR types

Adopted from Laurila and Halme (2008)

4.3 Case summary and analysis

The concept of CSR has gone through a long period of review, modification, and extension. If philanthropy had for decades been the most common form of CSR undertaken by organizations, its appeal and application began to wane in recent years. Other forms of CSR have either supplanted or have gained the upper hand over philanthropy. Although far from being extinct, it has lost the universal appeal it had heretofore enjoyed. Philanthropic acts have normally arisen out of good will and disposition of organizations and have been undergirded by a variety of motivating factors, of which I have treated somewhat extensively before. Out of the nine companies which I have hitherto covered in the case descriptions, only one, namely SEB, undertook, what could be described as an act of Peripheral Philanthropy. However it needs to be noted here that philanthropy still remains one of the most popular forms of CSR. What has happened throughout recent history is that other types of CSR have appeared on the scene and have begun to erode the seemingly unshakable status of philanthropy.

The SEB's involvement in the Baltic Sea initiative, through its philanthropic commitment, as it is often customary with all forms of corporate philanthropy, had the immediate objective of increasing the company's reputation as a good corporate citizen. Generally speaking, the effects of philanthropic acts persist as long as the act itself. Once a company terminates its financial support, donations, or other forms of non-financial help,

the benefits conferred upon the beneficiary either automatically cease to exist or begin to briskly disappear into thin air. Perhaps more importantly, corporate philanthropy seldom provides any direct financial gain for the givers, and even if/when it does, it is almost impossible to measure it. One may recall here Leisinger and Schmitt's (2011) definition of philanthropy as a pro-active, voluntary, and non-reciprocal act on the part of an entity with an objective of advancing some social or environmental cause without expecting a return in lieu of its investments. The SEB's commitment definitely fits the description for it was revealed during the interview with Client Associate at SEB Merchant Banking that the only expected benefit from the commitment for SEB was to be perceived as good Corporate Citizen. One may, however, argue that not all the philanthropic acts are devoid of expectancy element. It may be true that philanthropic commitments do not aim for direct financial gains, but, it would be erroneous to suggest that they are completely free of expectancy of other benefits such as reputation, brand image, or networking potential. Post and Waddock (1995) distinguished between Strategic Philanthropy and Philanthropic Strategy, whereby the latter concept states that acts of philanthropy may not necessarily lead to increased profits, but may yield intangible benefits instead, mostly in the form of reputational improvements. Philanthropic Strategy well reflects the commitment undertaken by the SEB.

The short life-span of the effects of philanthropy and the absence of measurement for its effectiveness with regard to generated financial or non-financial benefits for the donor are some of the most important weaknesses of philanthropy and arguably the main contributing factors to its fading status in favour of other forms of CSR.

CR integration and CR innovation, on the other hand, often successfully solve the two problems associated with philanthropy. Their effects are more long-term and the benefits better discernible. CR integration, although it too is receptive to and in pursuit of reputational benefits, is largely preoccupied with sustainability. In other words, sustainability is the primary driver of CR integration, whereas other benefits, such as potential for networking and brand exposure are of secondary importance. Six out of nine companies analysed in the case studies took advantage of CR integration in one form or another, further testifying to the growing prevalence of CR integration. This prevalence becomes more acute and better evidenced in view of the analyses carried out on all the companies included in the commitment bank.

CR innovation focuses on new product and solution development as a means of generating profit, on the one hand, and creating sustainable business operations, on the other. Much akin to CR integration, it treats reputational benefits as its derivative rather than the primary functions. In the preceding chapters, with reference to works by MacGregor and Fontrodona (2008), the distinction was made between CSR-driven innovation and innovation driven CSR. The distinction helps shed light on a two-way process in which the relationship between innovation and CSR can evolve. While CSR-driven innovation aims to advance some social or environmental cause by means of continuous innovations, innovation-driven CSR tries to have new product or service development guided by considerations amenable to furthering socio-environmental issues. Enlarging core business by means of constant innovations leads to increased business opportunities and may exert positive influence on the relationship between an organization and the environment. Out of 11 firms included in the case studies, 3 were considered as examples of CR innovation – UPM, Biovacka, and VSA Vilnius. Whereas the commitments by UPM and VSA Vilnius are good examples of CSR-driven innovation, the commitment of Biovacka can very well illustrate innovation-driven CSR. In the former case, CSR is a primary driver for creating a new product or service, whereas in the latter, constant product and service innovations undergird the firm's CSR considerations. **Table 5** depicts the types of CSR used by the companies examined in the case studies.

Company	Commitment Type	Relationship to Core Business	Type of CSR
LADEC	Solving a concrete problem	Close to existing core business	CR Integration
Biovakka Oy	Organization's internal development process	Enlarging core business or developing new business	CR Innovation
UPM Kymmene	Organization's internal	Close to existing core business	CR Integration

	development process		
Deltamarin Oy	Organization's internal development process	Close to existing core business	CR integration/Philanthropy
Pöyry Plc	Solving a concrete problem	Close to existing core business	CR Integration
Dropp Water	Providing goods, services or financial support to help BSAG	Identical with existing core business	Social Enterprise
SEB	Providing goods, services or financial support to help BSAG	Outside of firm's core business	Philanthropy
AS Tallink Grupp	Organization's internal development process	Close to existing core business	CR Integration
UAB „VSA Vilnius“	Solving a concrete problem	Both close to and enlarging existing core business	CR integration/CR innovation

Table 5 – Commitment types and types of CSR of the studied firms

Not all the organizations examined in the course of this study fall strictly under the rubric of the tripartite typology. Dropp Water, for instance, abolishes the boundaries

between its core business and CSR, for its sole purpose of existence is to advance the environmental cause – amelioration of the state of the Baltic Sea – rather than to focus on profit maximization. The Dropp Water's commitment to a large extent can be perceived as a fine example of altruistic behaviour, insofar as its efforts are directed at advancing socio-environmental causes and supporting other social actors, while receiving small or no benefits in return (Geoffrey P. Lantos, 2001).

The complete dilution of CSR into core business makes Dropp Water a very peculiar and interesting social enterprise to study. However, it is worthy of note that the total subjugation of profit-making intentions to environmental considerations casts shadow on and lessens the scope, magnitude, and power with which the organization can contribute to the desired socio-environmental objective. In other words, the diminution of profit-seeking instincts or proclivity, and its total subjugation to “higher” objectives (e.g. bettering the state of the Baltic Sea), may result in the limited ability of an organization to grow, can erode its competitiveness or financial sustainability, and can hence seriously hinder the attainment of the desired outcome.

Some of the commitments combined more than one type of CSR. The hybrid CSR type usually combines two distinct modes of CSR. Deltamarin's commitment is a good example of a hybrid type of CSR, insofar as it involves elements of both CR integration and philanthropy. One of the main reasons for employing two different types of CSR is to garner unique benefits that each type has to offer. Usually, rather than implementing two different types of CSR simultaneously, companies begin with one, and later, having fully utilized its resources, proceed to another type. This progression from one to another type of CSR reflects the comprehension on the part of an organization of the opportunities and advantages associated with it. In spite of the fact that philanthropy often results in expenditures, financial returns and other non-financial benefits of which are utterly hard to calculate, it is a relatively easy starting point for interaction between different enterprises. However, as these interactions progress, and the participants in philanthropy (i.e. the receiver and giver), come to better understand the context, milieu, and other situational aspects in which these interactions occur, new opportunities may arise prompting companies to consider deepening the relationship and linking the nascent opportunities with their core business in some efficacious way

The closer the company's environmental commitment is to the core business the higher are the chances of garnering benefits for the business as well as other stakeholders. Embedding CSR into core business implies that organizations can rely on their existing competences and resources in their efforts to build sustainable future for internal as well as external stakeholders. Companies that engage in CR integration and CR innovation, for instance, maintain greater control mechanisms over the implementation process of a commitment, whereas the organizations dwelling upon philanthropy, partly or fully give up or transfer such powers to other entities. Keeping control mechanisms, however, is instrumental in ensuring that both internal and external stakeholders' interests are fully met. Linking core business with CSR also ensures that organizations can utilize their existing resources and expertise in the best interests of the society, without eroding their primary objective – maximization of the shareholder value. Combatting environmental issues with an already existing set of know-how and tools, is more probable to yield positive results than participating in an environmental initiative for which an organization has neither competences nor expertise to dwell upon. CSR is an opportunity from which more benefits can be extracted as it is brought closer and closer to core business. This is perhaps the leitmotif and most important take away from this summary.

The closer a firm's CSR is linked with its core business, the less firms tend to view CSR as "a sacrifice of profits" (Reinhardt and Stavins, 2010) and instead view it as a profit-generating mechanism. Wedding CSR with core business may often lead to the enlargement of core business and result in the development of new business by virtue of which firms can aim for growth and increased capital gains. Even when no new business or product is created, say, in some cases of CR integration, companies can still expect some gains by virtue of fostering positive relationship between their product/service offering and environmentally friendly practices (Alniacik U et al., 2010). The positive direct relationship between the adoption of environmental practices and standards and market value has been suggested in the literature review (Dowell et al., 2000; King and Lennox, 2002; Tsoutsoura, 2004; Schnietz and Epstein, 2005; Fujii et al., 2012). Of all the CR typologies discussed in this paper, CR innovation has the greatest potential to attain higher market value, whereas this potential veers towards diminution as we move on to CR integration, and it almost always disappears into thin air in case of philanthropy.

5 Conclusions

In the final chapter of this study, I will run through the summary of main findings and discuss theoretical contributions which the study is capable of making. Thereafter, I will analyze some of the main managerial implications of the study and review the ways of incorporating key points of the study in the managerial praxis. I will end the chapter by making suggestions for further research and opening up new alleys through which academicians and researchers alike will be invited to walk.

5.1 Summary of main findings

By having access to the Baltic Sea Action Group commitment bank, I was enabled to canvass environmental commitment of about 250 organizations and measure the depth with which their commitments were incorporated into the business strategy. By applying the tripartite framework developed by Halme and Laurila (2008) and Kourula and Halme (2008) to the organizations' involvement in the BSAG initiative, I not only tested the framework's utility, but, above all, tried to gain better understanding as to the causes, outcomes, and peculiarities of each typology. The tripartite typology is very helpful and effective in canvassing a wide variety of organizational behaviors that were demonstrated in the course of the Baltic Sea initiatives. It facilitates the understanding of reasons that lead organizations to partaking in various environmental initiatives, provides a good toolkit for making sense of the motivational factors which underpin the organizations' involvement in CSR, and demonstrates well the effectiveness of linking CSR with business strategy.

The point that CSR is no longer a realm belonging exclusively to only large corporations scarcely needs belaboring. There are a vast variety of smaller organizations – the observation further evidenced by means of analysis of the BSAG initiatives – that undertake acts of CSR. If large corporations are often motivated by compliance with regulatory framework, and hence have recourse to philanthropy, SMEs are more prone to go beyond compliance considerations by engaging in CR integration and CR innovation. Whereas, acts of philanthropy are commonly undertaken to bring about improvements in reputation, brand image, or social perceptions, acts of CR innovation and CR integration,

although they too show concern for reputational considerations, are more preoccupied with finding environmental solutions that will further their business interests and boost stakeholder value. If CR innovation's emphasis is placed upon quest for finding innovative solutions in order to better environmental conditions, on the one hand, and to ensure sustainability of the organization's business operations, on the other, CR integration aims to add socio-environmental dimension to the existing core business with the ultimate purpose of creating sustainable ground for development.

With respect to its relationship to core business, philanthropy's remit can be thought as lying outside of firm's core activities, and this detachment from core business often results in negative repercussions for longevity as well as impactfulness of philanthropic acts. If CR innovation and CR integration often claim long-term effects, philanthropy is more inclined toward exerting short-term and limited impact. In view of the apparent shortcoming on the part of philanthropy, it becomes inexplicably hard to explain its widespread use and popularity, save by reference to the paradigmatically flawed approach to the subject of CSR by an overwhelming majority of organizations. It has been noted, however, that the trends are shifting in favor of CR integration and CR innovation. The cases discussed in this thesis bear further testimony to the relatively recent occurrence of paradigmatic change in the treatment of CSR on the part of private organizations. CSR, once understood as going well beyond the domain of compliance, into the realm of opportunities, triggers a whole new way of looking at things. CR innovation and CR integration represent glimpses of this new pattern of thinking, which is based upon treating CSR as an important part of business strategy, whereby it is increasingly believed that the more the CSR is integrated into core business, the greater its power, potential, and efficacy.

The study into the BSAG initiatives further underlined the importance of embedding CSR into business strategy for purposes of advancing both environmental and business goals. Moreover, it provided the unique opportunity for understanding the idiosyncrasies of each CSR typology and the ensuing differences in terms of target of responsibility, relationship to core business and expected benefits. The BSAG commitment bank enabled access to a very versatile pool of organizations which differed greatly in terms of size, industry, and revenues. This made it easier to compare and contrast different CSR action types in the light of wider contextual settings.

5.2 Theoretical contributions

The nexus between core business and CSR has been a relatively understudied subject. If such studies were ever carried out, as I documented in the literature review, they mainly concentrated on large-size enterprises, whereby smaller business organizations were afforded very little time and attention. This study undertook daring steps to some extent to rectify some of these shortcomings by studying different types of organizations from a very interesting and idiosyncratic perspective. The reviewed organizations included NGOs, small, medium and large-sized firms from various industries, all differing greatly in size, revenues, and level of internationalization. To my knowledge, no previous study has dealt with diverse organizations when studying the relationship between a firm's core business and its CSR.

One identifiably idiosyncratic feature of this study is its application of the tripartite typology. The strength of this typology has been satisfactorily weighed against the large body of business actors, commitment types, and business behaviors concerning environmental issues. As regards the connection between a firm's core business and CSR in particular, the typology has been very effective both in terms of assessing the strength of this connexion and understanding target of responsibility and expected outcome of the analyzed commitments. The tripartite typology, however useful and effective its application may be, has, paradoxically, been very scantily applied to any major study busying itself with the subject of CSR's relationship to core business. This study, hoping to revive interest in the tripartite typology and broaden its usability, tries to make up for this deficiency.

The Baltic Sea is purportedly one of the most endangered seas. In trying to save the sea, among other ills, from widespread pollution and eutrophication, the Baltic Sea Action Group ventured to bring together a multitude of states and private stakeholders. The stakeholders through their commitments pledged to alleviate the malevolent strain upon the Baltic Sea habitat. Whereas, the states largely confined themselves to providing financial assistance and political leverage for the process, the private stakeholders resorted to a variety of different business and CSR strategies, among which, there were discernible features of what has been extensively described in this study as philanthropy, CR innovation, and CR integration. The present study had thus at its disposal the vivacious panorama of cross-sectoral collaboration and its CSR ramifications with respect to a very

grand environmental issue. One key finding garnered from the analysis of the various private organizations was the plummeting interest in the use of philanthropy and departure from the old ways of thinking about CSR. The trend of realizing the real benefits of looking beyond compliance toward the utilization of strategic CSR is becoming more perceptible in the growing number of business organizations. The tripartite typology frequently referred to in the study helps delineate the peculiarities of this trend with much vigor and ease. P.G. Quester and B. Thomson (2001) have called Strategic CSR a “philanthropy with profit motives” to underline the fact that firms pursuing strategic CSR, are inclined to meet various societal needs, insofar as by so doing they can maximize shareholder profits as well.

The findings of this study clearly indicate the occurring changes in the treatment of CSR by a growing number of businesses. The older pattern of regarding CSR as a tool for compliance with the spirit of law and merely as an instrument for enhancing corporate image, has been increasingly suppressed and supplanted by novel forms of CSR. Embedding CSR into the fabric of organizational culture and strategy can play an instrumental role in creating opportunities, revitalizing the business, and responding to market needs with increased alacrity and effectiveness. For smaller businesses, which have historically been largely marginalized in the studies surrounding CSR, incorporation of CSR into the business strategy can provide a strong impetus to growth. Hence, it is necessary that small and medium enterprises are exposed to the benefits of bringing CSR on the radar of their business planning. CSR, in other words, is a powerful tool, which, when entwined with core business, can generate charge capable of thrusting businesses to a whole new level of performance.

In summation, the present study has endeavored to document the paradigmatic shift in the treatment and use of CSR. It has done so by extensive analysis of the individual commitments and triangulation of the findings with the interviews and other sources of information. It tried to assess a variety of different CSR commitments, with their undergirding motivational factors and cause and effect relationships, in the light the BSAG initiative. Having extensively examined the large-scale cross-sectoral collaboration project, I have been enabled to study the ways in which various actors sought to align their individual commitments with core business. In pursuing this goal, I took the advantage of the multiplicity of companies, among which both SMEs and larger organizations were

listed. The findings have corroborated some of the recent suggestions made in the academia as well as cast new light on some of the most obscure and less studied topics.

5.3 Managerial implications

It is an opportune time for businesses to abandon the old ways of thinking about CSR and make internal adjustments within an organization that will reflect the paradigmatic changes that have been occurring in the CSR realm. Managers should try to identify CSR areas and domains that will match or build upon the company's core business. CSR should no longer be treated as a tool for compliance, but rather as a tool for growth and progress both with respect to the organization's internal capabilities and resources as well as socio-environmental impact. Managers can play an increasing role in the process of clear identification of the organization's core business, bolstering the organization's core business by making right CSR choices and implementing right CSR policies, as well as carefully guiding and supervising the alignment process between the core business and CSR.

More attention has to be paid to what has been described in this study as CR innovation and CR integration. The two types of CSR engagement carry within themselves enormous potential for furthering both business and social interests. Managers should make a thorough assessment of the organization's strengths and overall competences, and only then try to identify issues in the external world, by engaging in which, the sustainable business practices could be created whilst also building upon and capitalizing on core business. In other words, a CSR engagement should always be the result of carefully thought-out and premeditated business planning, rather than the intuitive faculties, which often precede or undergird philanthropic initiatives. Linking a company's core business with CSR initiatives requires a fair amount of planning, resources, leverage, and power on the managers' part. Organizational structure just as much as culture should be built and fostered to accommodate processes and competences that would facilitate the creation of the linkage between a firm's CSR activities and its core business, whereby, managers would be endowed with access to resources and power leverage, to steer and guide the whole process.

Irrespective of the size of the company, CSR can be a powerful tool that can exert a transformative impact on the business. Managers at SMEs can unleash the power of strategic CSR just as much as larger organizations or corporations can. CSR, therefore, should no longer be thought as belonging solely to the organizations with greater financial capabilities, and instead should be regarded as an accessible toolkit that could be opened and availed of by all companies, heedless of their size, financial leverage, or industry. Managers of SMEs, although they may be lacking resources compared to larger organizations, could take advantage of better flexibility and power symmetries.

It would perhaps be well advised that each company, depending on its size and financial power, should try to develop special competences or create a special working unit within an organization endowed with a mission to identify special CSR areas that would pertain to or potentially enlarge upon the organization's core business practices. It is imperative that organizational structure is arranged in a way that would be conducive to transferring decision-making power as well as resources necessary for assessing and then bolstering the linkage and cohesion between a firm's core business and its intended CSR activities. Engaging in costly CSR expenditures, often in the form of philanthropy, imposes a heavy financial onus on organizations in lieu of which it may not always reap the fruits that would justify or be commensurate with such lavish expenses. On the contrary, the costs of investing in creating and developing organizational competences for linking a firm's core business with its CSR activities, can well be outweighed by the potential benefits reaped from creating such a linkage.

5.4 Suggestions for further research

Some of the themes covered in this study are quite novel and therefore do require to be researched and studied further. It is advisable that the tripartite typology extensively referenced throughout the preceding chapters receives far more attention in the future by theoreticians as well as practitioners than it has hitherto received. The main subject of this study – the connexion between a firm's core business and CSR, is very important and can yield new and interesting results if explored with greater rigour and depth. It would be interesting to study the linkage between core business and CSR in the context of other similar or dissimilar environmental initiatives. The Baltic Sea Action Group commitments

are a repository of very intriguing business ideas and environmental initiatives, and future researchers, should not by any means abandon studying them from other perspectives. It would undoubtedly be very interesting to extend similar studies to more non-Finnish participants in the BSAG initiative. I tried to partly fulfil that exigency by including a couple of non-Finnish companies in the study, however, I do concede that there is a room for improvement in this respect.

Whenever the newer commitments are entered into the BSAG commitment bank, it would be fitting to continue monitoring and assessing them in the spirit and light of the present study. In addition to continuous monitoring of the newly added commitments, it is highly recommended that more in-depth analyses are carried out on the companies now present in the study, but, which did not, due to time and other constraints, receive a fair amount of scrutiny and attention. Conducting more in-depth interviews with the companies currently contained in the BSAG commitment bank could be a good starting point. As difficult as it might be, it would be of utmost importance if the scope of the study were extended beyond its current state to explore at a greater length the contributing factors to as well as outcomes of various relationships between a firm's core business and CSR.

It would also be very useful if future research afforded more attention to the practical implications of the present study. Particularly, providing managers with practical suggestions on how to link a company's CSR strategy with its core business and how to improve the cohesion between the two over time would be of great avail. Similarly, demonstrating clear linkages between specific types of relationships between a firm's CSR and core business, on the one hand, and business or socio-environmental outcomes of these relationships, on the other, could lend a helping hand to managers in their efforts to wed a firm's CSR strategy with core business. As regards the subject of CSR itself, it is recommended that future researchers pay increasing attention to SMEs as well as start-ups and thus gradually move away from the predominant pattern of viewing CSR in the light of larger organizations. Finally, understanding how CR innovation and CR integration can avail companies operating in certain rapidly growing industries, say cleantech, would open up new perspectives and encourage more organizations to incorporate the two typologies in their CSR thinking or strategy.

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7 Appendices

Appendix 1. Conceptualization of CSR in the literature

Definition source	Definition	Dimensions
Khoury et al., 1999	Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance	Stakeholder Social Environmental Economic
McWilliams and Siegel, 2001	Actions that appear to further some social good, beyond the interests of the firm and that which is required by law	Voluntariness Social
Pinney, 2001	Corporate social responsibility (CSR) or corporate citizenship can most simply be defined as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts	Social
Piacentini et al., 2000	CSR is the voluntary assumption by companies of responsibilities beyond purely economic and legal responsibilities	Voluntariness

Lea, 2002	CSR can be roughly defined as the integration of social and environmental concerns in business operations, including dealings with stakeholders	Stakeholder Social Environmental Economic
Andersen, 2003	We define corporate social responsibility broadly to be about extending the immediate interest from oneself to include one's fellow citizens and the society one is living in and is a part of today, acting with respect for the future generation and nature	Stakeholder Social Environmental
Mallen Baker, 2004	CSR is about how companies manage the business processes to produce an overall positive impact on society	Social
Elhauge, 2005	Sacrificing corporate profits in the public interest	Social
Kotler and Lee (2005)	A commitment to improve community well-being through discretionary business practices and contribution of corporate resources	Social Economic

Appendix 2. Case Study – Company Commitment Descriptions

Company	Commitment Descriptions
LADEC	<p>* Implementation of the training program of The Nordic Dimension Water Excellency Centre</p> <p>* Concrete actions (analysis of the present situation, used chemicals, analyzers and how to achieve requirements of REACH and become to EU level , description of the future situation) lead by LSBP Ltd with associate partners / cluster member companies to achieve EU level in the laboratories of Vodokanal in order to reduce impacts of chemicals in the Baltic Sea.</p> <p>* Consultancy work to benchmark the current level of Vodokanal laboratories and to prepare the implementation plan.</p> <p>* SWOT for adopting EU level requirements in Vodokanal laboratories</p> <p>Defined commitment duration: 18.3.2010 - 18.3.2011</p>
Biovakka Oy	Biovakka Suomi Oy commits to develop a concept for efficient nutrient recovery and concentration from the digestive liquid fraction originating

from the treatment of various organic materials in the biogas plants. The developed concept will enable nutrient recovery (P, N, K and trace elements) efficiency of >99% and production of recycled nutrient products for industrial use, e.g. for forest industry waste water treatment. Simultaneously, half of the initial liquid volume can be discharged on-site as purified waste water. The developed concept will provide a solution for sustainable nutrient recycling by enabling transfer of excess nutrients in a concentrated form, e.g. from the areas of intensive animal farming to industrial use, and thus reduce the risk of nutrient leakage to the Baltic Sea.

Defined commitment duration: 1.3.2013 - 31.12.2015

UPM Kymmene

Commitment 1. Hazardous substances pose a significant risk to the ecological balance of the Baltic Sea. To improve measures to avoid the use of chemicals currently identified as posing potential harm to water ecosystems, UPM will produce and take into use a revised version of the company's Restricted Chemical Substance List which will apply to all chemical suppliers. The chemicals to be included in the list will mainly include those classified as harmful to aquatic life and/or have a tendency to accumulate in sediments.

Defined commitment duration: 1.3.2013 - 31.12.2013

Commitment 2. The parties have agreed to pursue a research that will define if biomass based charcoal/ash residue, resulting from gasification of biomass in for example BTL-process or pyrolysis process, can be mixed into soil and thus create a filter that removes impurities from water running from agricultural lands to the Baltic Sea

Defined commitment duration: 1.2.2010 - 1.2.2011

Deltamarin Oy

The Environmental Efficiency Design Index currently under development within IMO does not consider specific regional features. Deltamarin commits to develop a region specific index for the Baltic Sea area. This index will reflect such specifics as short sea shipping, frequent port calls, operation in archipelago, seasonal ice cover, use of icebreaker assistance, sensitivities of the environment.

Defined commitment duration: 1.3.2010 - 1.3.2012

Pöyry Plc

Contribution to the development of the oxygenation projects in selected areas of the Baltic Sea in order to reduce the internal loading of nutrients of the reduced sediment surfaces. The project requires identification of the suitable areas for artificial oxygenation based on experienced method used widely in the inland lakes of Finland and in the Pojo Bay, evaluation of the achieved benefits, planning of the implementation, searching and developing of funding mechanism for implementation of the selected projects.

Defined commitment duration: 1.5.2009 - 1.5.2011
Dropp Water

DROPP WATER Oy donates its profit to promote a good ecological balance for the Baltic Sea. DROPP does this by donating the profit from DROPP spring water to BSAG's continuous efforts for a living Baltic Sea

Defined commitment duration: 1.3.2014 - Present**SEB**

BSAG is powered by SEB through a donation to support the running costs for office and everyday work. We enable BSAG to follow up existing commitments and find new initiatives for a Sustainable Baltic Sea. SEB will also make its premises and customer contacts available to BSAG. Starting as host for the Baltic Sea Action summit follow up event on the 10th of February 2011. The support is implemented during 2010, 2011 and 2012 and we start 2011 by hosting the Baltic Sea Action Summit follow-up event on 10th of February in SEB premises. Part of SEB corporate sustainability actions. The focus will be on the Baltic Sea.

Defined commitment duration: 1.2.2011 - 1.2.2014**AS Tallink Grupp**

Tallink commits to further establish a volunteer club within the organization; the members are all company's employees. The volunteer club members are trained to assist the rescue forces during larger scale oil pollutions on sea, which endanger and/or already damage Estonian coastal waters and shores. Tallink will additionally provide volunteer club with equipment for field works if necessary. A part of the equipment is already ordered and will be stored in the company's headquarters in Tallinn.

Defined commitment duration: 2.12.2009 - 2.12.2015**UAB „VSA Vilnius“**

VSA Vilnius Ltd commits to implement actions improving household waste separation in Vilnius city region enhancing nutrient load reduction to the Baltic Sea and contributing to the public awareness raising among inhabitants of Vilnius city region.

Defined commitment duration: 15.3.2013 - 31.12.2013⁷

⁷ VSA Vilnius continued its works in improving household waste separation in the following years as well.